

FINANCIAL TIMES

European Community's
plan for a
single market, Page 24

EUROPE'S BUSINESS NEWSPAPER

Friday September 18 1987

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World News Business Summary

Iraqis push back tank offensive by Iran

Iraq said it had repulsed an Iranian tank and artillery offensive in an 18-hour battle, while Iran threatened to shell Iraq's cities in reprisal for renewed attacks. In New York the UN Security Council was meeting to discuss with Secretary General Javier Perez de Cuellar the results of his recent peace mission to the Gulf. Kuwait oil host, page 6.

Bangladesh flood fight

Troops were struggling to repair a leading embankment on the Padma River which was threatening to flood the 250,000 population town of Rajshahi in northern Bangladesh.

Greek church talks

Prime Minister Andreas Papandreu and Archbishop Germanos, head of the Greek Orthodox Church, agreed to set up a joint committee in an effort to end the crisis in church-state relations.

Sweden takes defector

Sweden ignored Soviet extradition pleas by granting political asylum to defector Roman Syrovatkin, who flew a stolen plane across the Baltic.

Gotthard tunnel opens

Switzerland's main north-south motorway route through the Gotthard Tunnel was reopening for cars, but not trucks, after closure caused by flood damage.

Chirac peace appeal

French Prime Minister Jacques Chirac flew to New Caledonia where he offered reconciliation to separatists who lost the recent referendum on the Pacific island's status.

Polish workers protest

Some 300 factory workers in southern Poland had signed a petition in support of two colleagues sacked for taking part in a Solidarity rally, opposition sources said.

Apartheid reform plan

South Africa's whites could keep their exclusive suburbs but less substantive relaxations of apartheid were proposed in a report by the President's Council. Pretoria's main advisory body.

Olympic mission

Head of the Olympic movement Juan Antonio Samaranch said he would meet Soviet leader Mikhail Gorbachev in an effort to forestall the threat of a Communist boycott of the 1988 Games in Seoul.

Indian protest deaths

Indian police killed at least 10 people when they fired on farmers demonstrating for drought relief in the southern state of Tamil Nadu.

Gaddafi scepticism

A declaration by Libyan leader Muammar Gaddafi that his war with Chad was over was unlikely to end the conflict, diplomats said. Page 6.

Pope backs migrants

The Pope championed migrant farm workers in a speech at Monterey, California.

Managua optimism

Central America's five foreign ministers were optimistic when they began a meeting in Managua with officials from eight other Latin American countries and the UN to plan ways of monitoring a peace treaty for the region. Page 5.

Arroyo goes

Philippines President Corason Aquino accepted the resignation of controversial executive secretary Joker Arroyo. Page 6.

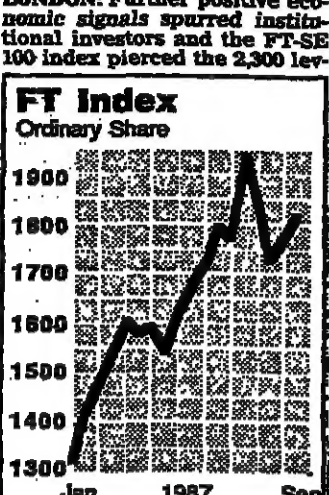
Dial-a-drug foiled

Dutch police said they had arrested a young couple who had advertised a soft drugs home delivery service modelled on American door-to-door pizza services.

Owens in plan to buy Brockway for \$744m

OWENS-ILLINOIS, largest US glass container manufacturer which went private in February in a leveraged buyout, is to buy Brockway, second largest glass container supplier in the US, in a deal worth about \$744m. Page 27.

FT Index



WALL STREET: The Dow Jones industrial average closed down 2.29 at 2,527.50. Page 45.

TOKYO: Heavy trading in steel pushed the sector higher but small selling elsewhere left the Nikkei average 112.42 lower at 24,533.31. Page 48.

GOLD rose in London to \$480.50 from \$478.50. In Zurich, it also rose to \$480.25 from \$478.50. Page 26.

DOLLAR closed in New York at DM1.8165, ¥143.40, FF6.0555, SF1.5000. It fell in London to DM1.8150 (DM1.8155) and ¥143.35 (¥144.35), but was unchanged at SF1.5055 and rose to FF6.0600 (FF6.0599). On the Bank of England figures, the dollar's exchange rate index fell to 100.9 from 101.2. Page 27.

STERLING closed in New York at \$1.6470. It rose in London to \$1.6465 (\$1.6455) and FF9.9000 (FF9.9000). However, it fell to ¥236.00 (¥237.50) and was unchanged at DM2.9675 and SF2.4775. The pound's exchange rate index rose 0.1 to 73.2. Page 27.

MCA, Los Angeles-based entertainment group, has examined the possibility of building a theme park in Europe at an estimated cost of over \$500m, says Mr Charles Paul, vice president. Page 27.

G HEILEMAN BREWING, fourth-largest US brewer, has rejected \$1.2bn unsolicited takeover bid from Australia's Mr Alan Bond, brewing and resources magnate. Page 27.

POWER CORPORATION OF Canada, financial services and industrial group, is joining forces with other large companies in Sutter Hill Ventures, venture capital partnership investing in high technology firms mainly in the US. Page 27.

GE-INNO-BM, Belgium's largest retailing group, saw six-month sales edge ahead to BF63.8bn (\$1.69bn). Page 28.

EAST ASIATIC, international trading group, made a first-half pre-tax profit of DKr97m (\$9.6m) compared with last year's DKr70m loss, and a profit for the whole of 1986 of DKr385m. Page 24.

DASSAULT-BREQUET, French state-controlled aircraft manufacturer, saw profits slump by 90 per cent to FF42.6m (\$7m) for the first-half of 1987 on turnover of FF49.57bn. Page 25.

CREDIT Commercial de France, recently privatised French banking group, made a net profit of FF214.5m (\$38.2m) in first-half of 1987 and expects a "satisfactory increase" in earnings for the year. Page 25.

AKZO, Dutch chemicals and fibres group, confirmed it is selling its consumer products division to Sara Lee, major US consumer goods company, for FF1.25bn (\$612m). Page 25.

Soviet Union and US to hold talks on nuclear testing

BY ROBERT MAUTHNER AND STEWART FLEMING IN WASHINGTON

THE UNITED STATES and Soviet Union said last night that they had reached an agreement to begin full-scale negotiations on nuclear testing before December 1.

The agreement was reached as Mr George Shultz, US Secretary of State and Mr Eduard Shevardnadze, the Soviet Foreign Minister, unexpectedly extended their three days of talks last night as they tried also to reach an accord abolishing intermediate-range nuclear forces (INF). Their three day meeting, which was originally scheduled to end at lunchtime and to be followed by separate press conferences, was apparently prolonged because of the good progress which was being made. "They are moving ahead on a whole range of issues," Mr Charles Redman, the US State Department spokesman, told reporters after announcing the extension of the meeting.

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, was even more optimistic, remarking: "History is in the making".

All the signs were that the ministers had made even better progress than had been expected and that they would be able to announce at the end of the day that they had reached a broad agreement on the abolition of all nuclear missiles and the limitation of nuclear tests, as well as on the INF negotiations.

It is still uncertain, however, whether a date for a summit meeting between President Reagan and Mr Mikhail Gorbachev, the Soviet leader, at which an agreement on the abolition of intermediate range nuclear weapons would be signed, is possible.

Among the problems for which the ministers are believed to have found a compromise formula was the Soviet demand that US controlled warheads on 72 West German Pershing 1A missiles should be eliminated at the same time as the missiles themselves.

Mr Helmut Kohl, the West German Chancellor, has already given an undertaking that his government would destroy its own missiles at the same time as the INF deal had been implemented, but the US had previously promised only that they would be withdrawn from Germany at the same time, but not necessarily destroyed. It had also argued that the INF negotiations were about missiles and not warheads. The White House as seen an intermediate range arms accord with Moscow as



Luis Carlos Bresser Pereira: serious negotiations

Brazil to present new debt plan to banks

By Anna Charters in Brasilia

BRAZIL plans to present a new formal debt proposal to its leading creditor banks at a meeting on September 22, just before the International Financial Community gathers in Washington for the annual meetings of the International Monetary Fund and the World Bank.

Mr Luis Carlos Bresser Pereira, the Finance Minister, said the country would not lift its seven-month-old suspension of interest payments on \$68bn of debt to banks. This was because it wanted to convince banks that they needed to be more innovative and serious in considering alternative proposals.

"Brazil wants a long-term solution to the debt problem that assures growth and price stability for the country, a rehabilitation into the international financial community and a reasonable solution for the banks," Mr Bresser Pereira said.

"The fact that we are going to negotiate seriously should be enough to prevent the banks from having to reclassify their loans," the minister said in a reference to the October deadline when US regulators may downgrade Brazilian loans, forcing new loan loss provisions.

Mr Fernando Milhet, president of the central bank, and Mr Fernando Bracher, special adviser for debt and a former central bank president, will negotiate with the banks for better conditions than those contained in debt agreements with Mexico, Argentina and the Philippines.

Mr Bresser Pereira ruled out a short-term route in which Brazil would raise an interim bank loan in order to repay interest arrears.

Interview, Page 5. World Bank report, Page 2.

Hill Samuel rejects offer from Saatchi

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

HILL SAMUEL, the troubled UK merchant bank, said yesterday that it had received a takeover approach from Saatchi & Saatchi, the advertising and business services group, but had turned it down.

The talks, which were initiated last Friday, ended shortly before lunchtime yesterday. A spokesman for Hill Samuel said that the terms being offered by Saatchi were not acceptable and that the takeover proposal lacked commercial advantage. He declined to say what the terms were.

This is the first publicly confirmed bid approach received by Hill Samuel, which has been beleaguered since the collapse of its merger talks with Union Bank of Switzerland last month. It is also the second known approach by Saatchi to a UK bank in the last few days. At the weekend it confirmed that it had contemplated an offer for the Midland Bank.

Saatchi was represented yesterday by Mr Maurice Saatchi, one of the company's co-founders. He met Sir Robert Clark, the chairman, and Mr David Davies, Hill Samuel's new chief executive.

It is understood that he offered to buy the entire group, and mentioned a possible purchase price. He also guaranteed to protect the independence of Hill Samuel within the Saatchi group if the bid was successful.

The Hill Samuel spokesman said last night that no other merger discussions were under way. However, speculation continued to surround Hill Samuel's shares in the stock market, where they ended the day with a gain of 7p at 664p.

Mr Davies has completed a strategic plan for Hill Samuel which he presented to the board earlier this week. The spokesman said that the board had approved the plan, and Mr Davies was now working on it.

Clay Harris adds: By last night, Saatchi had not made any statement about Hill Samuel. Earlier this week, Saatchi said that it was in discussions about possible takeovers - or other forms of partnership - with a number of British financial services companies, which it declined to name.

Management: Page 8

Marshall Field to get \$110m facelift

BY NICK BUNKER IN LONDON

MARSHALL FIELD, the 19th century downtown Chicago department store which made its name by "giving the lady what she wants," is to receive a \$110m facelift in the biggest single renovation project in US retailing history.

Owned by BAT Industries, the British tobacco-based multinational, the 73-acre store on State Street, Chicago, is the world's second largest after Macy's in New York City.

BAT said the project represented "a landmark" in the retail and financial renaissance of the city's central business district. Chicago's city fathers are also expected to approve soon the construction nearby of Block 37, a development including two new towers with 1.5m square feet of office space.

The five-year Marshall Field renovation plan includes the creation of an 11-storey atrium as the store's centerpiece. Construction is expected to start in January and continue until 1992, with the store remaining open during the work.

The project has been designed by Hambrecht Terrell International, a US retail design consultant whose other clients include Bloomingdale's, Macy's and Calvin Klein.

It will be the biggest so far of its kind in the city.



International, a US retail design consultant whose other clients include Bloomingdale's, Macy's and Calvin Klein.

Continued on Page 26

Honda announces 50% rise in US production

BY ANATOLE KALETSKY IN NEW YORK

HONDA, the third largest Japanese car manufacturer and already the biggest foreign car maker in the US, yesterday announced a 50 per cent expansion of its American production capacity and a precedent-setting plan to start exporting American-built cars to Japan by next year.

If yesterday's plans are achieved, Honda will not only be building some 500,000 cars a year in its Ohio plants by the end of the decade, but it could soon outstrip the American-owned motor manufacturers as an exporter of US goods.

The strategy, announced by Mr Tadashi Kume, Honda's president, calls for the export of 70,000 cars annually from the US by 1991. Although this figure includes Canada, as well as Japan and Europe, current Honda sales in Canada - around 50,000 - suggest that the company hopes

to secure sales outside North America comparable to the targets recently set by Chrysler and Ford of some 10,000.

Honda has also promised to increase the local content of its US-assembled cars to 75 per cent by 1991, from its present level of 60 per cent, and to increase its production capacity to 500,000 units by about the end of the decade.

Honda officials said the company's objective was not just to supply the US market, where it was doing better in expanding its market share than any of its Japanese rivals, but to produce world-class competitiveness.

At present exchange rates and productivity levels, the unit costs for Honda's US-made cars are said to be comparable to Japanese-made models, but only after allowing for delivery costs of \$500 a car.

Puttnam to leave top job with Columbia Pictures

BY ANATOLE KALETSKY IN NEW YORK

Mr David Puttnam, the British film producer unexpectedly hired by Coca-Cola last year to run its Columbia Pictures film-making subsidiary in Hollywood, is leaving the job and returning to independent film production.

Mr Puttnam's departure confirms that the imminent merger between Coca-Cola's entertainment businesses and Tri-Star Pictures will create a film studio firmly controlled by Mr Victor Kaufman, the present Tri-Star chairman.

When the merger was originally announced two weeks ago, it was stated that the film production businesses of Columbia

and Tri-Star would continue to be operated separately, although Mr Kaufman would be chief executive of the combined holding company.

It now seems likely, however, that the two operations may eventually be integrated, creating the third biggest film studio in Hollywood, after Warner and Paramount.

Yesterday's announcement brings to an end a brief but stormy period at Columbia, where Mr Puttnam tried to wage a one-man campaign against what he saw as the waste and extravagance of Hollywood's traditional production values and star system.

He alienated several of Hollywood's most powerful and best known figures in the process, including Warren Beatty and Dustin Hoffman - co-stars of Columbia's disastrously unsuccessful comedy *Ishtar* - and Bill Cosby, America's most popular television comedian, who has switched an important production contract from Columbia to Warner Brothers.

Mr Puttnam has a contract under which he is obliged to return to Warner Brothers as an independent producer as soon as he relinquishes management responsibilities at Columbia. Puttnam exits Coke's scepticism, Page 27.

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JORDAN IS FORCED INTO UNACUSTOMED ECONOMIC AUSTERITY

Prime Minister Zaid al Rifai insists the country is in "very sound shape". Page 6

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EUROPEAN NEWS

Bonn foresees higher budget deficit

BY DAVID MARSH IN BONN

THE West German Government, facing lower tax revenues as a result of a sluggish economy, has admitted that the federal budget deficit this year is likely to be DM 29bn (€17.5bn), DM 3bn more than announced only last week.

At the same time, Mr Hans Eichel, state secretary at the Finance Ministry, has conceded that the Government has a "credibility problem" in trying to restrain budget expenditure and deficits in coming years.

The DM 29bn deficit forecast this year compares with the DM 22.3bn projected in the spring and the figure of DM 26bn given by Mr Gerhard

Stoltenberg, the Finance Minister, in the Bundestag last week.

The Bundesbank, the central bank, in its latest annual report published today, also focuses on growing public sector deficits.

The borrowing requirement of central, state and local governments, planned originally to fall slightly this year from last year's DM 43bn, in fact looks likely to grow by around DM 10bn, the Bundesbank says.

It blames faltering receipts, above all from taxes, as well as relatively high spending growth. Although the central government will probably keep its rise in spending to the

2.5 per cent foreseen in budgetary plans, the Laender (states) are likely to increase expenditure beyond the 3 per cent originally planned.

The centre-right Government has already run into criticism from its own business and conservative supporters over plans for a further increase in deficits in coming years as a result of tax cuts planned in 1988 and 1990.

According to projections published during the summer, the federal deficit was expected to grow to DM 11bn by 1990, with the overall government shortfall forecast rising to DM 65bn in that year. Both these figures now seem

Hungarian democracy call gains support

By Leslie Collett in Budapest

An "Open Letter" to the Hungarian Parliament, calling for a "multi-party system" and a "democratic" government to be made "responsible" to the legislature, yesterday gained its most prominent and crucial supporters.

Mr Keszey Nyers, the father of Hungary's economic reform, said he agreed with the need for parliamentary "control" of the one-party Government. Mr Nyers, a member of both the party's central committee and parliament, said a system of "political democracy" must be created in place of the present one.

"In the distant future," he said, Hungary should have a "multi-party system as in the West." But the immediate goal was to achieve the greatest degree of "pluralism" in a one-party system.

Mr Nyers spoke in an interview yesterday at the Hungarian Parliament which debated the Government's austerity programme to deal with a worsening economic situation. On Wednesday he was given sustained ovation by fellow deputies when he urged a reform of economic planning in which "counter or alternative plans" would be drawn up by non-government economists.

The "open letter to Parliament" meanwhile, was surreptitiously circulated by deputies to those who had not received it in the mail. Signed by 190 mainly white collar workers including several officials and party members, it was an ambitious challenge to the Communist Party and Government, in line with calls in recent months for the liberalisation of the media and wholesale reform of the economy and political system.

While asking deputies to demand a greater role for Parliament, the letter also called for freedom of the press, guarantees for personal freedom, "market control" of most economic activities and equal opportunities for the state and private sectors of the economy.

The most senior official to sign the "open letter" was Mr Laszlo Antal, director of a finance ministry research institute which has recently called for the abolition of economic, social and political reforms in Hungary. Other signatories included economists, sociologists, historians and film-makers, such as Mr Miklos Jancso, one of Hungary's best known writers. Fewer than 20 of the signatories were political dissidents.

Mr Ferenc Kosszeg, an opposition historian who helped draft the "open letter" said it could have gained 300 signatures but that this was not the aim. Its greatest weakness, he said, was the lack of company managers among the signatories. "We do not yet have the connections," he admitted.

The ornate Hungarian Parliament yesterday was again shaken out of its customary torpor. Mrs Erzsébet Székely, the opposition deputy, chastised the Government for allegedly setting aside an unaccounted chunk of the current budget to pay off last year's deficit.

Mrs Székely, a doctor, said she could not vote for the austerity programme unless the Government made several changes. The austerity Bill however was expected to be adopted yesterday evening despite some opposition votes.

Communist reformer may run for French presidency

BY PAUL BETTS IN PARIS

MR PIERRE JUQUIN, leader of the reformers in the French Communist Party, is expected to announce next month his decision to run in the presidential election next year.

This would embarrass and anger many in the party, which has already picked its presidential candidate and is struggling to halt its electoral decline. Mr Juquin, who resigned from the party's central committee last summer, would directly challenge Mr André Lajoinie, the official Communist candidate, seen by many as the chosen successor of Mr Georges Marchais, the party's secretary-general.

During the last two years, Mr Juquin has led the dissent movement in the party, which is campaigning for a shift from the party's traditional hardline Moscow-oriented policies. The Communist leaders have made every effort to silence the dissent and have vehemently opposed the intended shift, by which the party might reclaim some popular appeal by becoming more democratic in its internal structures and more in tune with the recent social and economic evolutions in France.

Mr Juquin plans to seek the support of not only discontented Communist voters but also of adherents of such smaller movements of the far left as the United Socialist Party, plus the greens and voters of Arab ethnic communities in France who are worried by the attitude and electoral prospects of the National Front.

Mr Jean-Marie Le Pen, its leader, is expected to win 10 to 15 per cent of the national vote.

Mr Juquin is hoping to gain about 5 per cent of the vote, or at least to do as well as the official Communist candidate. His gamble in deciding to run against the official candidate seems part of the drive for change in the party. If he were to mount a viable challenge to the official candidate, the traditional hardliners in the party might well have to reassess their attitude to internal reform.

Mr Juquin has been the most vocal critic of the party's internal structure and its electoral prospects. He has been seen as a potential challenger to the official candidate, the traditional hardliners in the party might well have to reassess their attitude to internal reform.

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Juquin: unofficial candidate

However, his advance could be undermined by what appears to have been a big political blunder this week when he suggested that the Nazi gas chambers were only a "detail of history." This provoked a political storm, condemnation by all the main parties and a demonstration outside the National Assembly yesterday to seek the lifting of Mr Le Pen's parliamentary immunity.

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Carrington puts stress on US role in Europe

By David Bachan

THE IMMINENT accord by the superpowers to scrap their Euro missiles will "change the landscape of European security," but should not weaken the US commitment to defend Western Europe, Lord Carrington, the Nato secretary general, said yesterday.

"Flesh and blood," said Lord Carrington referring to the 328,000 US troops stationed in Europe, "count for more than abstract deterrent concepts." At the same time, he said, the Intermediate Nuclear Forces treaty discussed by US and Soviet foreign ministers in Washington this week would leave Europe "less nuclear, but not de-nuclearised." Retention of some nuclear weapons remained key to Nato strategy, he said.

Speaking to the Royal Institute of International Affairs in London, Lord Carrington appeared to be launching a bid to use his last year in office as Nato's most senior official to ease Western Europe's transition to a post-INF treaty world.

On the one hand, he sought to reassure European conservatives, in government and in uniform, that removal of some 300 US Pershing and cruise missiles in an INF accord would not lead down the slippery slope of de-coupling the US from Europe.

On the other hand, he seemed to be warning Europe's arms control lobbies and peace movements against euphoria about "some mythical non-nuclear Nirvana." Nato needed, he said, to carry out its 1983 decision to upgrade short-range battlefield nuclear weapons, and partly so that West Germany be not left as the sole depository of all of Western Europe's remaining non-strategic nuclear firepower, nuclear-capable aircraft flown over other countries such as Britain would become all the more important.

Lord Carrington recognised that relying more on the "flesh and blood" deterrent of US troops in Europe begged the question of whether the alliance could solve its burden-sharing arguments and whether Europe could persuade the US to maintain its troop presence, "doing more in its own defence."

If Americans came to think their contribution was charity, then Nato was in trouble, he warned. "There is nothing more unlikely than the survival of Nato if it were felt by the North Americans that they were doing a favour to the Europeans out of friendship and good nature," he said. So far, US administrations had firmly believed European security to be vital to US security.

There was, he said, "no special magic" about INF forces. Nato had operated its flexible response strategy before the INF missiles started arriving in 1983, and could do so after they left.

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West Germans spend more and save less

BY ANDREW FISHER IN FRANKFURT

WEST GERMANS are spending more on goods and holidays abroad and saving less, a trend which could lead to a steady reduction of Germany's high surpluses, according to the latest monthly report of the Bundesbank.

With private consumption up strongly again this year—retail turnover was 4.5 per cent higher in July than the same month of 1986—private savings fell by a tenth in the second quarter over the first quarter.

Germans saved, on average, 13 per cent of their disposable incomes against 14.5 per cent a

year ago, the report said. Both figures are seasonally adjusted. They also took out 20 per cent more long-term bank credits than a year ago, mainly to finance new cars. But short-term borrowings and overdrafts went down.

Car makers and retailers profited from the greater readiness of Germans to spend, with new registrations for private use up by 7 per cent in the April-July period over last year. The volume of spending probably rose much more than unit sales, with higher prices for better equipped models.

Also benefiting from the rise in private consumption were textiles, clothing and shoes, furniture and furnishings.

Foreign holiday spending soared, the Bundesbank said. It was up by 12 per cent in April-July over the same period of 1986. Overall, disposable incomes were 3.5 per cent higher in the second quarter than in the year-ago period.

Noting that exports were moving ahead again after earlier weakness caused by the strong D-mark, the central bank said it was desirable that a cut

in surpluses came through increasing sales abroad being offset by a faster rise in imports as domestic demand strengthened.

So far, the current account surplus has hardly changed, despite the D-mark's advance. In May-July, Germany's current account surplus was a seasonally adjusted DM 20bn (€12bn) the same as the previous three months averaged DM 1.5bn over the same period of 1986. But the Bundesbank said the trend to lower surpluses should be resumed, as imports rose in volume and price.

The "open letter to Parliament" meanwhile, was surreptitiously circulated by deputies to those who had not received it in the mail. Signed by 190 mainly white collar workers including several officials and party members, it was an ambitious challenge to the Communist Party and Government, in line with calls in recent months for the liberalisation of the media and wholesale reform of the economy and political system.

While asking deputies to demand a greater role for Parliament, the letter also called for freedom of the press, guarantees for personal freedom, "market control" of most economic activities and equal opportunities for the state and private sectors of the economy.

The most senior official to sign the "open letter" was Mr Laszlo Antal, director of a finance ministry research institute which has recently called for the abolition of economic, social and political reforms in Hungary. Other signatories included economists, sociologists, historians and film-makers, such as Mr Miklos Jancso, one of Hungary's best known writers. Fewer than 20 of the signatories were political dissidents.

Mr Ferenc Kosszeg, an opposition historian who helped draft the "open letter" said it could have gained 300 signatures but that this was not the aim. Its greatest weakness, he said, was the lack of company managers among the signatories. "We do not yet have the connections," he admitted.

The ornate Hungarian Parliament yesterday was again shaken out of its customary torpor. Mrs Erzsébet Székely, the opposition deputy, chastised the Government for allegedly setting aside an unaccounted chunk of the current budget to pay off last year's deficit.

Mrs Székely, a doctor, said she could not vote for the austerity programme unless the Government made several changes. The austerity Bill however was expected to be adopted yesterday evening despite some opposition votes.

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Bofors faces fresh arms allegations

By

EUROPEAN NEWS

Norway blocks sale of missiles

NORWAY has rejected a request by state arms manufacturer Kongsberg Vapenfabrikk (KV) - facing US anger over technology sales to Moscow - to sell missiles to four developing nations, government officials said yesterday. Renter reports from Oslo.

Defence industry sources warned that the move could cripple sales of KV's Penguin short-range missiles, its most actively marketed product, and push the company closer to bankruptcy.

KV posted an NKr1.1bn (\$185m) loss in the first half of 1987 and is being restructured to save its weapons division. The company had sought permission to sell the mis-

siles to Venezuela, Singapore, Indonesia and Thailand.

"We turned down the application because we don't want to become a major weapons exporter - and the more we export the more difficult it is to ensure the weapons stay in the right hands," a Defence Ministry spokesman said.

Norway restricts the sale of military equipment to fellow members of Nato and the Organisation for Economic Co-operation and Development (OECD).

The Defence Ministry denied that the decision was linked to KV's 1982 and 1983 sales of computer gear, used on milling machines from a subsidiary of Toshiba of Japan, to Leningrad shipyards.

Washington defence experts have said the sales, in breach of Norwegian export law, damaged Western security by enabling the Soviets to make nearly-silent submarine propellers.

Norwegian police are investigating all KV exports to see if there have been other illegal sales.

The US navy is testing the Penguin missiles for use on helicopter gunships. The deal, if approved, could earn KV about \$100m.

However, government and diplomatic sources in Oslo said a deal could be blocked by Congress. The Senate has already voted a punitive ban on all trading with KV and Toshiba.

Awacs scan Nato's borders with airborne electronics

SOARING above the barren mountains of central Norway, Nato radar operators scanned screens alive with tiny green blips in a constant search for unidentified aircraft penetrating allied airspace, Renter reports from Oslo.

Obvious to the bright light and high-pitched whining of computer consoles filling the plane, they were part of a 11-man crew on the first flight to carry reporters aboard a Nato Awacs aircraft.

"Awacs (Airborne Early Warning and Control System) are one of the strongest cards held by the Western alliance in the age of electronic warfare," US Air Force Maj David Schmidt said.

They gather their information through sensitive electronics systems packed in an ungainly, mushroom-shaped dome perched just in front of the tail of this military version of the Boeing 707 passenger aircraft.

Officially known as the NAEW force (Nato Advanced Early Warning and Control Force), the aircraft are manned by crews drawn from 11 of Nato's 16 member nations.

Awacs were developed by the US, in the 1970s in response to Soviet deployment of aircraft and cruise missiles, designed to escape detection by conventional ground radar stations as they hug the terrain during flight.

"These are basically airborne radar platforms looking down to spot low-flying aircraft. Our mission is

purely one of defensive surveillance," Maj Schmidt said.

From a cruising altitude of 29,000 ft they command a view of all air and sea traffic over an area of some 312,000sq km, keeping 20 nautical miles from Warsaw Pact borders.

Despite their advanced surveillance equipment, they would make easy targets if caught unescorted in a conflict.

"In theory, you can't sneak up on an Awacs. But they carry no weapons, and would be sitting ducks if attacked," said Maj Schmidt.

Nato has since 1982 maintained a fleet of 18 Awacs, based at Gellenkirchen, West Germany, and with regular flights out of Italy, Greece, Turkey and Norway's Oerlandet Air Base.

Norway, to keep East-West border tensions low, bans foreign military flights within 75km of Norway's border with the Soviet Union.

But even at this distance we can peer into Soviet territory to watch flights from military airfields on the Kola Peninsula," said Oerlandet base commander, Lt-Col Ivar Ueland.

Information on their screens can be fed via satellite to the ground and naval forces, leaving the decision on how to respond to a possible incursion to the high command of the nations whose air space they are patrolling.

Their regular missions over Nato's northern flank play an integral role in monitoring Soviet air traffic,

notifying Norway's air force of frequent Soviet intruders.

"We send up fighters nearly every other day to intercept Soviet aircraft, often Bear-class reconnaissance planes, which stray too far west or too far south into Norwegian airspace," said Lt-Col Ueland.

Interception usually means identifying and photographing Soviet aircraft, after which they are ushered at close range back into international air space.

Flights over central Europe, because of heavy commercial traffic, are easily the most demanding on Awacs crews.

"On busy days, we'll see up to 450 blips on our screens," one US crewman said. "But that gives us plenty to do, and is a lot more interesting than flights over eastern Turkey, where there's almost nothing to look at," he added.

Despite the impressive array of electronic equipment packed into the windowless fuselage, officers said all the hardware can be bought over the counter in most Western nations.

But an Awacs \$150m price tag would likely discourage even the most dedicated electronics enthusiast from tackling such a project.

Missions usually last eight days, including numerous fuel stops. Even with mid-air refuelling, an Awacs can stay aloft no longer than 24 hours, and rarely more than one third of the fleet is airborne at any given time.

WORLD BANK ANNUAL REPORT

Alexander Nicholl reports on a plea for finance to back poor nations' reforms

Greater effort urged to ease debt problem

THE World Bank calls today for stepped-up and integrated efforts to tackle the debt problems of developing countries. Debt, it says, is "a major obstacle that must be cleared from the development path."

In its annual report for the fiscal year ended June 30, the Bank says that both heavily indebted middle income countries and low income nations in sub-Saharan Africa have been particularly hurt by the recent economic climate even though many in both categories have been pursuing policy reforms.

Slow growth in industrialised countries, worsening terms of trade and volatile interest rates have caused slow growth in middle-income economies.

"Adjustment programmes involve difficult choices for governments, and political support cannot be sustained unless adequate finance needed to implement these programmes is made available," the Bank says.

It says commercial banks have made very few new financing commitments, and that multi-year rescheduling agreements have not become the financial underpinning for adjustment programmes.

"It is all the more necessary, therefore, that efforts aimed at ameliorating the debt problem be integrated and that the entire arsenal of available instruments be employed."

Though these instruments include debt/equity swaps, the Bank cautions that too much should not be expected of them. Only 1 to 2 per cent of the debt of major debtors was traded in 1986, it says.

The Bank urges more multi-year reschedulings, official export credits as well as other measures and stresses that all parties - both governments and banks - should play their part.

Though the Bank praises the governments of many sub-Saharan countries for their persistence and depth of their policy reforms, it says that the



Barber Conable: seeking capital increase

poorest nations, but this has run into opposition from some other industrialised countries which object to lowering interest rates.

The Bank clearly believes that it has been playing its part in financing troubled debtors. World Bank commitments to the 15 heavily indebted countries covered by the US-sponsored Baker Plan have exceeded \$38bn since 1981, of which almost half was in the past three fiscal years. Disbursements have accelerated because a growing number of loans have been quick-disbursing. The Bank's lending to the poorest countries rose 9 per cent in the last fiscal year to \$8.4bn.

In the past fiscal year, new loan commitments by the World Bank and its International Development Association affiliate rose 8 per cent to \$17.7bn. The Bank's were up 7.7 per cent at \$14.2bn.

Disbursements by the Bank rose quite sharply, up \$3.1bn at \$11.4bn, because of a growing proportion of fast-disbursing adjustment loans. IDA disbursements fell \$67m, however, to \$3.1bn.

When maturing loans are taken into account, the net transfer of resources to borrowers fell from \$3.8bn to \$2.4bn despite the big increase of disbursements.

The Bank expects its new commitments to be between \$14bn and \$15.5bn this fiscal year and the IDA's about \$4.2bn. Over the next few years, new Bank commitments are expected to rise to an annual rate of \$20bn.

The Bank, however, is increasingly conscious that it will soon run up against capital constraints and has therefore begun sounding out major industrialised governments on a substantial capital increase, officials say.

The Bank's "headroom" to make new loans is being increasingly restricted by the fall of

IBRD	LOANS RECORD 1982-87				
	1982	1983	1984	1985	1986
	\$ millions				
Loans approved	10,330	11,138	11,947	11,454	13,779
Disbursements	6,326	6,817	8,580	8,645	8,263
Total income	3,372	4,232	4,655	5,529	6,815
Net income	598	752	680	1,137	1,243
General reserve	2,772	3,652	3,337	3,586	4,896
Net borrowings	8,531	10,282	9,331	11,086	10,500
Subscribed capital	43,165	52,069	54,011	58,046	77,526
	number				
Operations approved	150	136	129	131	137
Borrowing countries	43	43	43	44	41
Member countries	141	144	144	148	151
Higher-level staff	2,689	2,703	2,735	2,805	3,617
IDA	\$ millions				
Credit amounts	2,686	3,341	3,575	3,028	3,140
Disbursements	2,067	2,596	2,524	2,491	3,155
Usable resources, cumulative	25,280	27,367	30,910	33,295	39,167
	number				
Operations approved	97	107	106	105	97
Borrowing countries	42	44	43	45	37
Member countries	130	131	131	133	134

the dollar which raises the value of many of its loans which are denominated in strong non-dollar currencies. The Bank's lending is not allowed to exceed its capital, which is denominated in dollars.

Committed capital is currently \$90bn, and lending some \$76bn, giving headroom of \$14bn. The situation is not yet urgent because net disbursements are expected to total only about \$4bn annually over the next couple of years.

Mr Barber Conable, the Bank's president, has been talking of a \$60bn to \$80bn capital increase and has met a favourable response from European and Japanese governments for a fairly prompt capital boost, officials say. However, the main stumbling block will be the US, where appropriations from Congress are chronically difficult to obtain.

Among other features of the Bank's report are:

● The Bank took a \$57m special charge for costs of its internal reorganisation, which is detailed in the report. Particularly illustrative is a list of the Bank's senior executives as at the end of 1986, and a second list as at June 30 1987, showing many changes and some vacant slots.

● A review of structural adjustment lending - non-project loans introduced in 1980 in support of structural reforms of an economy - shows a mixed experience. None of the 10 countries surveyed fully implemented planned reforms on schedule, but budgetary performance and pricing policies generally improved over time. Some facilities were too complex and some ran too far ahead of government commitment to economic reform. However, such loans were effective in providing quick - disbursing funds, in focusing governments' attentions on structural problems and in giving the Bank a means to support economic reform in a way that project-lending could not.

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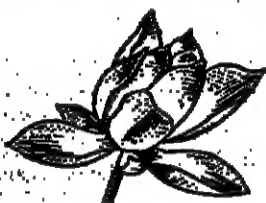
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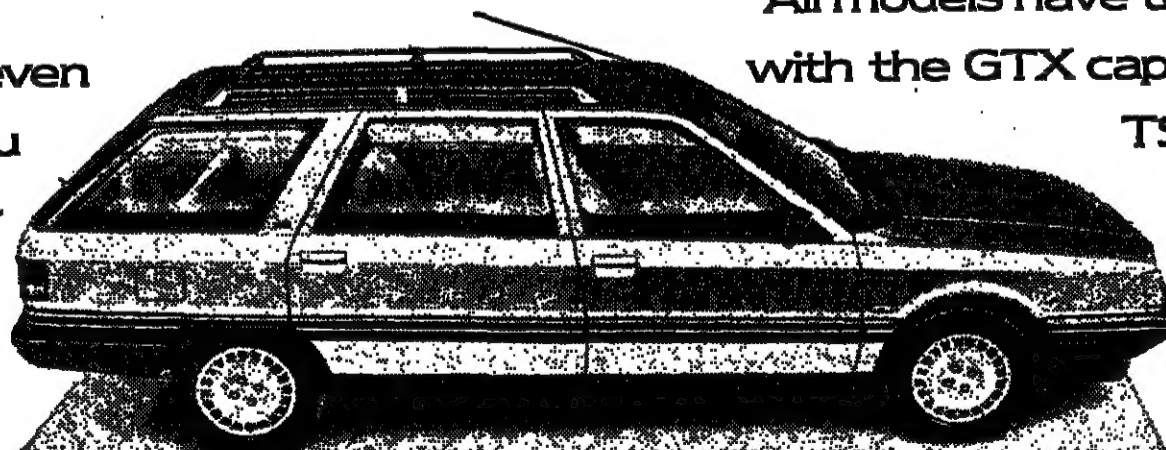
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Car shown Renault 21 Savanna GTX with optional alloy wheels and Family Pack. †Family Pack (7 seats) available as option on GTS, GTD and GTX models. Price (correct at time of going to press) refers to Renault 21 Savanna TL and includes 15% VAT Car Tax and front/rear seat belts. Number plates and delivery extra. *Official DoE figs. Renault 21 Savanna TS/GTS 56mph, 52.3mpg (5.4L/100km); 75mph, 38.7mpg (7.3L/100km); urban, 28.5mpg (9.9L/100km). RENAULT recommend ELF lubricants.

AMERICAN NEWS

Brazil 'stands firm on debt moratorium'

BY ANN CHARTERS IN SAO PAULO

BRAZIL WILL hold firm on its interest payments moratorium as it tries to convince banks that the time has come for an innovative long-term solution to the five-year-old debt crisis, Mr Luiz Carlos Bresser Pereira, the Finance Minister, said.

Brazil would meet its international private creditor banks next Friday to negotiate a long-term solution to the debt problem that "assures growth and price stability for Brazil, the reintegration of the country into the international financial markets and offers a reasonable solution to the banks," he said in an interview on Wednesday.

The interview followed a brief international tour in which he presented a radical plan to convert half of the country's \$88bn bank debt into bonds — a plan that received a brisk rebuff from creditors and particularly from Mr James Baker, the US Treasury Secretary. The Finance Minister agreed with Mr Baker that Brazil would adopt a more conventional approach.

Mr Bresser Pereira said that President Jose Sarney did not want an agreement that has to be reworked shortly after it is completed. "Brazil wants innovation, but is not interested in changing the world."

What separated Brazil from the international financial community were not the 'radicals and nationalists, who are not as strong as they are vocal,' he said, but the debt itself and "the conservative and non-innovative approach to the problem from banks and their governments."

A solution to the debt burden should include a fixed rate of interest according to a country's capacity to pay over the long term. Because more than 50 per cent of the public deficit in Brazil was interest paid on public sector foreign debt, it was "difficult, almost impossible, to put our house in order."

Brazil wanted better conditions than those obtained by Mexico, Argentina and the Philippines. The Brazilian proposal is to include a conventional aspect and a voluntary alternative to convert debt to bonds.

To stress his point that the banks should seriously consider offering bonds, Mr Bresser Pereira stated that Brazil issued \$6bn in bonds in the 1970s which were being fully serviced on principal and interest and which the country has never considered not honouring.

Because Brazil was interested in concluding the negotiations soon, there would be no symbolic interest payments to the banks, so that they were "firmly convinced that they have to make concessions compared to what they've agreed to previously."

"We really want to have a solution. Downgrading the bank loans would hurt them unduly," he said, referring to a deadline next month at which the US authorities may downgrade Brazilian loans to "value-impaired" status, forcing new loss provisions.

On the IMF, the minister said that he would like to make an agreement, but that he did not want any linkage with the disbursement of bank funds. He indicated that Mr Baker had agreed to the "no linkage" idea and that an agreement with the banks would precede talks with the IMF.

On the economy, the country needed no new money to finance the balance of payments if interest payments were not resumed. Despite the recent success in bringing inflation down from 25 per cent to 8 per cent a month, he said that the current level was still too high at 6 per cent, but that attempts would be made to control it.

Ford and UAW agree pay deal

NEGOTIATORS for Ford Motor and the United Auto Workers union agreed yesterday to a three-year contract giving greater job protection and pay increases to 104,000 US autoworkers, the UAW said, AF reports from Michigan.

The contract must be approved by local leaders and the union rank-and-file before going into effect.

The UAW's national negotiations with Ford have been without a strike since 1976, when a dispute over paid personal holidays and wage increases resulted in a walk-out lasting 28 days.

The UAW sought a settlement with Ford first in a tactic called pattern bargaining, seeking the best deal possible from Ford as a pattern for negotiations with General Motors.

GM's contract has been extended until a new deadline that will be set once Ford workers begin voting on a settlement. Both contracts had expired Monday night at 11.59 pm.

Job security has dominated the union's demands this year. Ford, which has 104,000 UAW autoworkers, and GM, which has 335,000 both import cars from Korea and Mexico are planning or producing cars in joint ventures with Japanese automakers.

US teachers and parents agree there is room for improvement in education system

THE PROBLEMS facing many US teachers in the country's struggling inner-city schools have been given another airing as some teachers have secured substantial pay rises in this year's contract round while others, notably in Chicago and Detroit, have taken part in acrimonious strikes.

Despite a move in most states since 1983 to boost teachers' salaries, many inner-city education boards are still failing to attract college leavers to the job.

In Chicago, where more than 25,000 teachers are on strike, the city's ninth stoppage in the past 20 years, the union says it is frustrated with what it sees as a disproportionate amount of cash spent on educational administrators rather than on teachers.

Both sides in the dispute are further apart than in previous years, with the union demanding a 10 per cent rise in the first year of a two-year contract and 5 per cent the next, while the school board tries to cut three days off the school year in a bid to reduce salaries.

This contrasts with a speedy and to contract negotiations in New York, where the city has promised an additional \$910m in funds to increase teachers' starting salaries by 25 per cent to \$25,000 over the next three years. The New York union says the latest increase — adding up to a 72 per cent raise for starting pay since 1983 — makes inner city salaries competitive with the suburbs for the first time.

Deborah Hargreaves in Chicago reports on education problems in the US: a subject of wide concern in the run-up to the 1988 presidential campaign. Among the issues are classroom violence, and pay disputes.

Teachers in Chicago and other urban public schools are, however, often paid more than their suburban counterparts. But notoriously difficult working conditions in the inner city, where drop-out rates are often as high as 50 per cent, will deter qualified candidates.

"The working conditions are so poor, often money is the only incentive," one Chicago teacher cynically commented.

Given a competitive business environment and a subsequent lack of candidates with the right qualifications, some school boards have resorted to hiring under-qualified teachers, a spokesman for the American Federation of Teachers, a union group representing 660,000 teachers nationwide, commented.

He recounts one incident of a school board testing prospective teaching candidates; more than half failed the test, but the board went ahead and hired many of these in order to get someone in the classroom before the start of the school year.

Other school boards have cut courses such as biology and chemistry because of the lack of qualified science and maths teachers. School curricula are determined on a local basis although some states impose

a state-wide mandate. College leavers can often be put off a career in teaching by tales of violence in city schools that sometimes reach legendary proportions.

Indeed, almost half of city teachers responding to a recent survey by the Carnegie Foundation for the Advancement of Teaching (AFT) cited disruptive behaviour in the classroom as a real problem.

Of those surveyed, 32 per cent said violence against students was a problem and 13 per cent were worried about violence against teachers.

Mr Ernest Boyer, president of the Foundation, calls the survey's findings disturbing: "teachers in the nation's urban schools confront a shocking pattern of problems, ranging from disruptive behaviour in the classroom to the apathy of parents," he said.

On the other hand, in comparison to some of the conditions outside the classroom, some teachers stress inner-city schools are often oases of calm for urban children. Teachers' unions agree that the reputation for violence among some inner-city schools will discourage some prospective teachers.

But individual teachers have far more complaints about a top-heavy

administration and unnecessary bureaucracy.

Some 36 per cent of urban teachers surveyed by the Carnegie Foundation said they had no control in selecting textbooks and materials to use in the classroom. Many teachers say they find this lack of control and large class size (up to 35 students per class in many cases) demoralising.

With high drop-out rates in a lot of major cities — and some estimates putting the US illiteracy rate at one in five — educators and teachers do not deny that the system is failing large numbers of its pupils.

To graduate from high school, teenagers must fulfil certain school-set requirements, for which they receive a graduation certificate.

In an effort to restore a bit more faith to the public school system on the part of both teachers and students, educators have come up with a range of suggestions.

These vary from merit pay for teachers who turn out skilled students to a scheme in Cleveland where pupils receive payment into a trust fund as a reward for achieving high grades.

Indeed, as education remains a subject of wide concern in the run-up to the 1988 presidential campaign, prospective candidates have already been voicing their own pet schemes for improving the system. And many teachers and parents agree there is still plenty of room for improvement.

US housing construction down by 1%

By Nancy Dunne in Washington

US HOUSING construction, slowed by rising interest rates, fell by 1 per cent from July to August, figured on a seasonally adjusted basis, according to the US Commerce Department.

The drop apparently continues a downward trend which began in March.

The downturn had seemed to be ending last month when the Commerce Department reported a 0.9 per cent monthly rise in housing starts.

The report warns, however, that month-to-month changes in figures often show irregular movements and cautions that "it may take three months to establish an underlying trend for total starts."

The four-month drop from March to June was an ominous sign of the run-up in mortgage rates in the spring.

It was the first decline for four consecutive months since 1981. In August about 1.5m housing units were started, 12 per cent less than the 1.65m started in August 1986.

Construction of single-family houses fell 5 per cent during August while building of apartment houses rose by 7 per cent.

The seasonally-adjusted annual rate of housing units authorised by building permits in August, a forecasting tool of future growth, was unchanged during the month.

Biden 'will not back out of presidential race'

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

SENATOR JOSEPH BIDEN, the 44-year-old Democratic presidential candidate who has been charged in newspaper and television reports with plagiarising in his campaign parts of speeches by, amongst others, Neil Kinnock, the British Labour leader, insisted yesterday that he had no intention of backing out of the race.

At a press conference yesterday morning, Senator Biden admitted, however, that as a young law student he had also been accused of plagiarising by the academic authorities at Syracuse Law School.

"I was wrong, but I was not malevolent in any way," Senator Biden said, suggesting that the presentation of his own work of a legal brief based on a published law review article had been the error of an inexperienced law student.

Senator Biden and his political advisers had been hoping that if he performed successfully during the televised hearings to the contentious nomination of the conservative Judge Bork to the Supreme Court — Biden chairs the Senate Judiciary Committee — this would inject new life into his presidential campaign and enable

him to emerge as a national figure from the speck of Democrats pursuing the presidency. Americans take questions of cheating and plagiarism at college seriously. It is particularly embarrassing for Senator Biden to have questions raised about his honesty when he is chairing hearings into whether to confirm Judge Bork.

Senator Biden who has made it clear he opposes the Bork nomination is a presidential candidate who has been hoping to gather support amongst liberal Democrats who fiercely oppose Judge Bork on the grounds that he will tilt the Supreme Court to the right, particularly on social issues.

Senator Biden's ability to lead the opposition to Judge Bork will be weakened to the extent his own credibility is in question and there has even been speculation that he might be forced to resign as chairman of the Judiciary Committee.

In response to the charges of plagiarism, Senator Biden said: "I have never quoted anyone without saying it is their quote, it is because it is clearly known by everybody what it is or I honestly did not know I was quoting somebody else."

Central American peace talks open amid optimism

BY PETER FORD IN MANAGUA

A KEY meeting which could determine the progress of the month-old Central American peace plan opened amid optimism in Managua yesterday. This was in spite of US plans to press on with a fresh demand for \$270m in aid for the anti-Sandinista Contra rebels.

The peace plan, first drawn up by Costa Rican President Oscar Arias, provides for cease-fires in the region's wars, amnesties, democratisation, a halt to outside aid for insurgent groups, and pledges not to allow such forces the use of Central American territory.

Central America's five foreign ministers, along with senior officials from eight other Latin American countries are meeting representatives of the United Nations and the Organisation of American States (OAS) to plan ways of monitoring the treaty's progress.

The ministers are discussing some of the peace pact's thorniest problems — who should be eligible for the amnesties each government is due to offer, and how to implement the treaty's call for an end to aid to insurgent guerrilla forces.

Equally complex is the accord's provision that all five countries will enforce their commitment simultaneously on November 7.

An international verification commission, comprising the Central American nations themselves, the Contadora Group countries (Mexico, Venezuela,

Colombia and Panama), its support group (Argentina, Brazil, Peru and Uruguay), the UN and the OAS is due to ensure and judge compliance with the treaty.

Despite the Central American presidents' intention to demand an end to aid for irregular forces, President Ronald Reagan last week announced he would soon ask the US Congress for further funding for the Contras.

Should that money start flowing before the Arias plan's November 7 deadline, it would kill the accord stone dead, officials throughout Central America agree.

The treaty's insistence that no Central American country should allow its territory to be used by guerrilla groups is aimed especially at Honduras, hosting the Contras, and at Nicaragua. The US has regularly accused the Sandinistas of aiding the "Farabundo Marti" guerrillas in El Salvador.

This week's talks were expected to provoke a flurry of charges and counter-charges amongst the five governments over who is doing what to undermine the other.

Interpreting the pact's call for an amnesty is also likely to prove difficult. In Nicaragua, for example, opposition leaders are arguing that the government must offer amnesty not only to Contras in the field willing to hand in their weapons, but also to all political prisoners.

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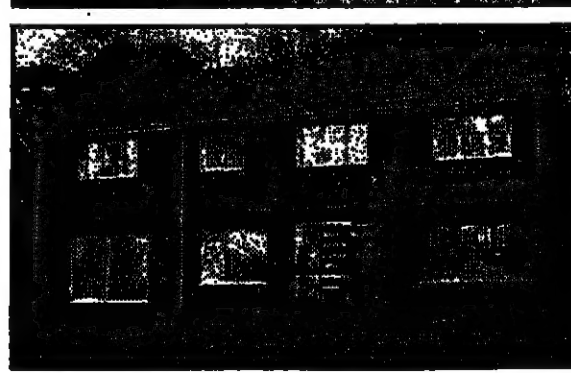
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OVERSEAS NEWS

Aquino accepts resignation of key adviser

BY RICHARD GOURLAY IN MANILA

PRESIDENT Corason Aquino yesterday reluctantly accepted the resignation of Mr. Joker Arroyo, her controversial executive secretary, in an attempt to bring some "quiet" to her cabinet, which has been badly split since a failed coup on August 28.

His resignation was widely demanded by businessmen and churchmen, who accused him of being obstructive and opposed to the pro-business policies that Mrs. Aquino publicly backs.

Large sectors of the military, including the leaders of a failed coup on August 28, accuse him of being a communist sympathiser and had also demanded his removal.

Mrs. Aquino kept a second controversial adviser, Mr. Teodoro Loosin, a legal counsel, as a consultant.

The cabinet changes follow Mrs. Aquino's sacking on Wednesday of Finance Secretary Mr. Jaime Ongpin, who has fought publicly with Mr. Arroyo for much of this year over the direction government economic policy should take. The entire cabinet resigned eight days ago in order to give Mrs. Aquino a free hand in forming a new government that can work as a team.

"However, some businessmen criticised Mrs. Aquino for choosing a close political ally

and former classmate of Mr. Arroyo as the new executive secretary. The post carries powers similar to a chief of staff in the US system and is considered a powerful position because it ensures close daily access to the President.

In the TV address accepting the resignation, Mrs. Aquino praised Mr. Arroyo's "patriotism and true nationalism" and promised not to compromise his ideals. Mrs. Aquino had a deep personal loyalty to Mr. Arroyo, even though Mr. Arroyo was a human rights lawyer when he defended her husband, Benigno Aquino, and after the latter was assassinated in 1984.

Some observers said that Mrs. Aquino had merely changed faces in the cabinet reshuffle, without defining the clear policy direction that businessmen say she is sadly lacking.

Others say that she has not done what was necessary to defuse the most serious attacks against her. Mr. Arroyo's special relationship with Mrs. Aquino will always guarantee him close access.

Meanwhile, finance department sources said Mr. Jose Fernandez, Central Bank governor, who with Mr. Ongpin, has played a central role in debt renegotiation talks, will retain his position for the time being.

Defendants in Carrion case win legal costs

BY DAVID DODWELL IN HONG KONG

TWO OF the six defendants acquitted in Hong Kong this week of conspiracy charges in the Carrion fraud trial were yesterday awarded legal costs for their three-and-a-half-year defence. These are likely to amount to over HK\$40m and will have to be paid out of taxpayers' funds.

This second blow to the Hong Kong Government's legal department came as it was licking its wounds from the shock acquittal of the six accused in what has gone into the history books as the British Territory's longest and most expensive trial.

Mr. Justice Barker, who has presided over the trial for 64 weeks, contradicted government lawyers who were challenging the appeal by defence counsel to be awarded costs when he ruled that neither Mr. David Begg nor Mr. Anthony Lo, the first partner in, and the second an employee of, Price Waterhouse, Carrion's auditors had brought suspicion on themselves nor misled the prosecution as was claimed.

The precise total to be awarded to the acquitted men has yet to be decided, but is expected to be between HK\$40m to HK\$50m.

Carrion, headed by Mr. George Tan, had grown meteorically between 1977 and 1983, only to collapse spectacularly when the local economy foundered late in 1983. Debts amounted to about HK\$100m.

Sensation was heightened first by a murder and a mysterious suicide. Scandal spread to Malaysia when it was discovered that Bumiputra Malaysia Finance, a subsidiary of Malaysia's biggest bank, had lent huge loans to Carrion.

In the wake of the collapse, Bank Bumiputra had to be rescued by Malaysia's national oil company and a number of government officials and ministers were tainted.

The Carrion trial lasted for 283 days, involved 25,000 pages of prosecution transcripts and cost the Hong Kong Government about HK\$27m to prosecute.

Top official in plea for Aboriginal treaty

By Chris Sherwell in Sydney

AUSTRALIA'S most highly respected official yesterday made an impassioned plea to the Government to commit itself within the next six months to reaching a treaty of understanding with the Aboriginal people.

Mr. Charles Perkins, the secretary of the Department of Aboriginal Affairs, in Canberra, insisted that a treaty was necessary and declared that the country's 200th anniversary of white settlement was the right time to confront the issue.

The outspoken Mr. Perkins, who has been reprimanded more than once for expressing his strongly-held views, made his remarks in an address to members of the foreign press.

His comments came only two weeks after Mr. Bob Hawke, the Prime Minister, unexpectedly floated the idea of a treaty or compact with the Aboriginal people, perhaps as a preamble to legislation setting up an Aboriginal Affairs Commission.

The idea immediately generated controversy over what exactly he meant and whether it would mean the abolition of the principle of legally enforceable ethnic group awards. Mr. Hawke himself warned Aboriginals not to have "unreal expectations" about it, while the opposition Liberal Party called it "tokenism".

Mr. Perkins said a treaty should be embedded in the constitution by referendum and should embrace the controversial issues of prior ownership of Australian land, of land rights and of compensation for land loss.

Acknowledging that conclusion of a pact would take two to three years, he insisted that a commitment had to be made within the next six months so that "we can all celebrate Australia's bicentenary".

A treaty, he said, would "help us consider the past in a more reasonable manner and allow us to leave a legacy for our children".

It would "allow us to develop a new relationship between each other," Mr. Perkins said.

"At the present time there's no dignity in the relationship between whites and blacks in this country, there's no respect, there's no appreciation and there's no understanding. But a treaty was still only 'part of a mosaic which is the answer' to Aboriginal affairs. It would take negotiation, sensitivity, understanding, a will, programmes and projects, administration and hard work, and give and take to 'change the situation from bad to reasonable'."

Anthony Robinson on a long-awaited report from the President's Council Pretoria advisers urge area reform

SOUTH AFRICA'S top-level policy advisory body, the President's Council yesterday proposed greater flexibility in the Group Areas Act on segregated residential areas.

It also proposed abolition of the Separate Amenities Act which guards the remnants of "petty apartheid" in public places and public transport.

In a long-awaited report presented to parliament yesterday, the committee, which has spent more than two years reviewing the remaining apartheid laws, stopped short of recommending scrapping the Group Areas Act as urged by influential lobbies such as the Urban Foundation and black groups.

Instead it proposed the retention of legal protection for existing racially-segregated residential areas coupled with a degree of local option which would permit residents themselves to decide the ethnic composition of their area.

Bowing to the reality of mixed residential areas in many city centres it also proposed legal recognition for de facto "open" or racially-mixed "grey areas" and freedom of choice in some new developments.

The report is understood to be less radical than the committee's original proposals made nine months ago. These were rejected before publication by President P. W. Botha personally because of fears that abolition of the principle of legally enforceable ethnic group awards would lead to a massive white backlash in the whites-only general election in May.

Doubts over the government's commitment to the Group Areas Act remained an important factor behind the 30 per cent vote that went to right-wing parties in the recent election.

Mindful of the extent both of white apprehension of change and black, especially Coloured and Indian, anger at the discriminatory aspects of existing laws, the report seeks to steer a middle way between white fears and black aspirations, the poles of South African politics.

While insisting on statutory protection for "group" residential areas the report proposed that free market principles should be applied in and around business and industrial areas following the recent opening up of central business districts to all race groups for business only.



The segregated reality of a Johannesburg inner-city area

In practice many inner-city areas, such as Hillbrow in Johannesburg and Woodstock in Cape Town, are already mixed areas with all races living in areas zoned for whites only.

Legislating mixed or "open" areas would not only reduce exploitation by frontmen and landlords who often insist on premium payments for illegal tenants, but allow white residents the opportunity legally to sell their properties to black people and move from the area.

The report says that "point of departure" is that besides own (separate) residential areas, provision should in principle be made for free occupation of open areas where circumstances warrant this. In this way group rights and individual rights could be treated in a more balanced way and provision would be made for the forces and process that operate in the urban context.

The report is in line with the government's stated commitment to a more open and flexible society. This is backed up by the abolition of "influx control" and the pass laws, recognition of freehold property rights for blacks in townships and acceptance of large-scale "orderly urbanisation" by black people as a positive development and engine of faster economic growth rather

than a nightmare to be prevented.

The report also examines the consequences of legalising "open" or "grey areas"—especially in the areas of political representation and education. Total abolition of the Group Areas Act would in practice have meant the end of social apartheid and separate development—a move desired by many at home and abroad but resisted by a majority of white people, especially those of lower and middle income who most fear what they would consider collapsing property and other values if such restrictions were abolished.

Racing zoning means that all schools, hospitals and other facilities serve only the resident race group. Political representation is also ethnic based from local and provincial level up to the three ethnically-segregated houses of parliament. Legalising "open" areas however implies acceptance of both mixed schooling and mixed living in limited areas of the country.

The report fudged the education issue with the suggestion that children could go to private schools which, unlike the state schools, are already racially mixed.

On the voting question the committee set down five alter-

native proposals ranging from a joint voters roll with restriction on choice of candidate through to separate elected "area committees" within an existing ethnic local authority, to the forfeiture of voting rights for those who settle in an area zoned for another population group.

The committee stopped short of making a specific recommendation but said it could find no justification for denying citizens and taxpayers full participation in their local authority and recommended a "reform approach" to the question.

The report, which is to be debated in parliament, was signed by representatives of the ruling National Party on the President's Council committee but rejected by those of the right-wing official opposition Conservative Party, the moderate Progressive Federal Party and the coloured Labour Party.

One of the key questions now is whether the flexibility proposed will permit the rebuilding of places such as District Six—not as a coloured ghetto as before but as a new open area for all races.

It is a proposal strongly supported by pro-reform business circles and whose acceptance by the government would be one of the most convincing proofs of its commitment to a more equitable future.

Black bid for S African bus concern collapses

By Our Johannesburg Correspondent

INTERNAL divisions within the black South African bus and taxi association (Saba) has led to the collapse of its bid to buy the 52 per cent of controlling stake in the Putco Bus Company from its Italian owners, the Carleo family.

The bid by the association, representing more than 45,000 black taxi and minicab drivers, to buy for about R150m Putco's buses and repair shops was seen as a potential breakthrough for black enterprise.

Putco transports millions of black commuters around the townships and between the townships and jobs in white areas.

It has been a big loser from the rapid growth of private black taxi companies which provide quicker, safer and more flexible transport for those able to pay a premium over the bus fares.

Despite the collapse of the Saba bid, however, negotiations continued yesterday for the sale of stock exchange-listed Putco to nominees representing both black and white business interests.

The negotiations are being led by Mr. Ivan Brownlee, who acted as a nominee for Saba in earlier negotiations but has become the principal in the latest round.

Mozambique in 'grave crisis'

THE WAR in Mozambique has entered a "grave crisis" which "continues on a massive scale" affecting more than four million people, the British charity Oxfam warned yesterday.

Mr. Frank Judd, the director of Oxfam who has been visiting Mozambique, said at a London press conference that international aid had helped avert a major disaster, but added: "Western governments, in particular the British government, must also tackle the massive problems by putting effective pressure on South Africa to stop its continuing support for the Mozambique National Resistance."

Kuwait used protection to increase oil production

By Andrew Whitely in Kuwait

KUWAIT has taken advantage of the protection being afforded to its tankers by three foreign navies—those of the US, the UK and the Soviet Union—to increase its oil production to more than double its official Opec quota of 500,000 barrels a day.

Western diplomats say that since the US refuelling and naval escort began in the second half of July output has soared to over 2m b/d, a level unseen since early 1980. In late August it is said to have reached a peak of 2.2m b/d.

By comparison, according to the National Bank of Kuwait, in the first five months of the year Kuwait's oilfields were pumping crude at an average rate of only 1.25m b/d, 14 per cent down on the same period in 1986 and a modest 26 per cent above the country's designated quota.

Taken together with the recent increase in oil prices of about \$2, to near the \$20 a barrel mark, this production surge means that at the moment Kuwait could be enjoying a windfall gain of an extra \$100m a month in its all-important oil revenue.

Iran has been attacked by Iraq as well as in the West, for profiting during July and August from the temporary lull in the Gulf "tanker war" by substantially boosting its oil exports. But it now appears that Kuwait has acted even more decisively to boost its revenues.

Official statements insist piously that Kuwait, usually Opec's fifth largest producer, continues to adhere to its quota limit. To back up this claim—and dampen rifle speculation over the extent of its overproduction—the Government announced earlier this month that spot market sales had been halted.

However, if the latest production estimates are correct, the country's limited storage capacity, equivalent to six days' output at the 2m barrel level, indicates that most of the additional output is probably finding buyers.

Diplomats commented that in pushing production so hard Kuwait's motives seem to be a mixture of responding to market conditions and a fear that the outlook in the Gulf could deteriorate in the coming months.

"The question is whether the August figures were a flash in the pan, or are being maintained in September," said one close observer of the local oil industry.

Truce unlikely to end conflict over Aouzou

BY RICHARD JOHNS IN VIENNA

A DECLARATION by Colonel Muammar Gaddafi, the Libyan leader, that his country's long war with Chad is "over" is unlikely to bring the long conflict over the Aouzou Strip to an end, in the opinion of diplomatic observers.

Rather it reflects exhaustion on the part of Libya following a series of stunning military reversals this year which have cost the country about 9,000 troops killed, probably more than a tenth of the total strength of its armed forces.

In a speech reported yesterday by the official Jana news agency in Tripoli, Col. Gaddafi pledged never again to interfere in Chad's internal affairs.

Libya, which has given his regime more than \$30m in acknowledged military aid, went to see him give up the struggle against one of the Administration's leading better known figures, Mr. Idriss Deby, the main backer in the past, would like to see an agreed resolution to the conflict and a compromise over Aouzou which it, as a colonial power, once ceded to Italy when it was master of Libya.

The war between the great Libyan desert power and Chad is over after the expulsion of the mercenaries from Aouzou and their annihilation in as-Sarra, Jana quoted Col. Gaddafi as saying.

Col. Gaddafi apparently hopes

that recovery of the greater part of the strip may lead to recognition of his country's right to it.

Libya recaptured the fly-blown town of Aouzou on August 28, but subsequently suffered a humiliating setback when a Chadian column penetrated 60 miles into recognised Libyan territory.

N'Djamena's claim to have killed 1,713 Libyan troops and destroyed 28 aircraft and 70 tanks at the Marada as-Sarra base from which bombing raids were mounted against it have been confirmed as substantially correct by Western intelligence informants. Chad said that it had lost 60 men.

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Tony Walker on prospects for an economy dependent on Gulf stability Jordan forced into rare austerity

DR MAHER SHUKRI, now deputy governor of Jordan's central bank, remembers the day in the 1970s when as a relatively junior officer, he processed a telex transfer of aid from Saudi Arabia of \$140m.

The sum caught the young Dr Shukri by surprise because he was expecting \$100m. He queried the amount, suggesting that an additional "0" may have been added. No, came the reply, the transfer was correct.

A year later Saudi accounting practices eventually caught up with the error, but by that time the money had been spent. Dr Shukri recalls with a laugh. In these days of lower oil prices and swelling budget deficits it is unlikely Saudi Arabia or other wealthy Gulf benefactors would make such mistake, let alone fail to rectify it for such a long time.

And therein lies, in part, one of the reasons for the cash squeeze Jordan is experiencing at the moment. A shortfall in funds pledged by Gulf donors under a 1978 Baghdad Arab League summit formula and a slowdown in remittances from Jordanian nationals working in the Gulf is causing difficulties.

The latest central bank statistical bulletin reports that at the end of April, cash reserves stood at 51.2m Jordanian dinars (\$90m) or sufficient funds to cover just two weeks' imports. Dr Shukri says the position has improved since April and that reserves reached more than 70m dinars at the end of July.

However, the pattern of the past several years is one of diminishing reserves to the point where some might regard Jordan's financial position as precarious. Offsetting this are Jordan's gold reserves worth about \$500m at today's prices and a large credit to Iraq of about \$800m which shows up

under a column in the central bank statistics entitled "other foreign assets".

Dr Shukri describes this sum as "technically unusable" to cover some categories of imports such as oil. However, the fact is that Jordan whose economy is 70 per cent reliant on imports is being forced into a programme of unrelenting austerity and prospects are for even more difficult times ahead until oil prices rebound and Gulf states regain their economic equilibrium.

Mr. Zeid al Rifai, Jordan's Prime Minister, insists that the economy is in a very sound shape. He noted that Jordan in 1986 repaid \$500m in interest and principle on its approximately \$4bn foreign debt as an indication of his country's sound financial position.

Jordan's debt service ratio (debt repayments as a percentage of earnings from exports, workers' remittances and other services) is creeping up from 9.9 per cent in 1985 to about 12 per cent this year. Mr. Rifai recently told parliament that a debt service ratio of 20 per cent was a "red line" beyond which it would be imprudent to venture.

Both Dr Shukri and Mr. Rifai said in interviews it would be necessary for Jordan again this year to borrow abroad. Last year it raised \$150m internationally. That money was not drawn down until early 1987.

Jordan is also grappling with persistent budget deficits. A projected deficit for 1987 of 39.6m dinars is considerably understated. On present indications Jordan's domestic deficit this year is likely to be at least four times that figure.

Mr. Rifai recently asked parliament to approve a supplementary budget of 141.4m dinars, mostly to cover debts accrued by Jordan's armed forces and

left unpaid for a number of years.

Growing budgetary pressures are likely to be a feature of the medium term for a country heavily dependent on subsidies from Gulf states which have proved highly unreliable beneficiaries in recent years.

Only Saudi Arabia is consistently fulfilling its pledge under the Baghdad agreement which allocated Jordan \$1.2m annually in Arab aid in recognition of its frontline status (facing Israel). The Saudis provide \$357m annually in three instalments.

Jordan is also experiencing a reduction in the inflow of remittances from the 350,000 of its citizens working abroad, the majority of them in the Gulf. Officially recorded transfers from this source amount to about \$1bn annually. Dr Shukri said there had been a drop in remittances of about 8 per cent in the first half of this year.

Jordan's weakening foreign exchange position, its heavy dependence on imports for up to 70 per cent of its requirements and its budgetary difficulties has revived discussion about a possible devaluation of what some observers regard as an overvalued dinar as a means of further curbing imports.

But Jordanian officials are adamant such a move is not being contemplated. Dr Shukri insisted that the local exchange rate accurately reflects the dinar's value on a trade-weighted basis against the currencies of Jordan's major trading partners.

He also argued that a devaluation would be a retrograde step because of Jordan's dependence on imports. It would encourage inflation. Jordan actually experienced deflation of 1.2 per cent in the first four months of this year.

and was likely to provoke a bout of capital flight.

Still, the fact that the possibility of a devaluation is being canvassed in business, government and banking circles in Jordan is significant. The subject was virtually taboo until recently. As a foreign observer said: "At least, they won't take you out and shoot you now, if you suggest it."

Jordan has been doing its best to reduce the domestic deficit and to improve its balance of payments position. It has reduced expenditures where possible, strengthened collection, imposed additional taxes on imports and sought to encourage exports.

However, as Mr. Rifai observed, the government in its efforts to restrain imports is caught in something of a vicious circle because customs duties are a principal source of revenue. He fears a further expenditure cuts and reductions in imports will already depressed.

Jordan is struggling to maintain its traditional exports of fertilisers and foodstuffs in highly competitive international markets. The value of exports of these items, in fact, dropped in 1986 compared with the year before.

But Jordan's drive to reduce imports helped it to narrow its trade deficit in 1986 by 22m dinars which, nevertheless, represented more than one-third of Gross Domestic Product.

Another Jordanian concern is rising unemployment, in particular among professionals such as doctors and engineers. Joblessness among these groups has reached 20-30 per cent. Official statistics show overall unemployment rate at about 6 per cent, but this almost certainly underestimates the problem.

GRANVILLE

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206	133	Ass. Brit. Ind. Ordinary	203	—	7.3	3.6	12.4
206	146	Ass. Brit. Ind. CULS	203	—	10.0	4.9	—
41	24	Arrivante and Rhodes	26	—	4.2	11.1	5.3
142	67	BBS Design Group (USA)	105d	—	2.1	1.9	18.9
174	106	Bentley Group	174	+1	2.7	1.5	28.7
183	95	Bry Technology	165	—	4.7	2.6	14.7
267	133	CCL Group Ordinary	267	—	17.5	4.3	8.9
142	89	CCL Group 11pc Pref.	142	—	15.7	11.1	—
171	136	Carborundum Ordinary	168	—	6.4	3.2	14.7
102	81	Carborundum 7.5pc Pref.	102	—	10.7	10.5	—
140	67	George Birt	140d	—	2.7	2.6	3.6
143	118	Ida Group	120	—	—	—	—
85	58	Jackson Group	85	+1	3.4	4.0	8.4
1,150	321	Jana Bureau	1125	+15	18.2	1.8	25.5
132	86	Jana Bureau 5pc Pref.	132d	+3	12.9	8.8	—
780	600	Multihouse NV (AmstSE)	628	+18	1.4	—	12.7
828	351	Record Ridgway Ordinary	805	—	—	—	—
87	63	Record Ridgway 10pc Pref.	87	—	16.1	18.2	—
91	68	Record-Jenkins	87	—	—	—	3.0
124	42	Servotons	124d	—	—	—	—
230	141	Tardent and Carlisle	221	—	6.5	3.0	10.7
42	32	Trevian Holdings	42d	—	0.8	1.8	3.9
131	73	Unilever Holdings (SE)	100d	—	2.8	2.8	18.4
251	115	Walker Alexander (SE)	251d	+1	5.9	2.4	15.6
199	150	W. S. Yates	199	—	17.4	2.7	18.9
176	95	West Yorks. Ind. Hosp. (USA)	150	+10	1.5	3.7	15.8

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18th September, 1987

Goldstar Co., Ltd.

FT FINANCIAL TIMES

Fifth Professional Personal Computer Conference

Australian consortium wins Turkish power plant franchise

BY OUR ANKARA CORRESPONDENT

The "Ozal Model" — an ambitious scheme for energy and infrastructural projects in developing countries — took a major step towards becoming a reality yesterday when the announcement by Turkey's Prime Minister that the government is to go ahead with plans for three large coal-fired power plants built under franchise.

The announcement is likely to have far-reaching consequences both for the power industry in the developing world, where the model creates an important precedent, but also for the international coal trade in Europe and the Middle East. Turkey has decided to award the first contract to an Australian consortium which intends to

create a large stockpile of Queensland coal beside the plant for re-export.

Mr Ozal said that the government would shortly begin talks with the Australian consortium, headed by Seapac of Queensland and also including Chiyoda and Tokyo Electric of Japan, Westinghouse of the USA, and the Queensland State Government. The

plant will be at Yumurtalik on the Mediterranean coast and will produce 1,400MW of electricity a year. It is expected to take three and a half years to build and cost around \$1,200m.

Final negotiations are not expected to present any major hurdles, but a signing of a contract will probably have to wait until after the Turkish

general elections on November 1.

As soon as the first contract is signed, Turkey will move on to the second project, a 960 MW plant at Tekirdag near Istanbul. This is to be built by Bechtel of the US, with KWTU of West Germany and Combustion Engineering of the US, and will cost around \$1,000m.

The government hopes that a contract for it will be completed by the late spring of next year. This would open the way for negotiations on the final plant, to be built by the Electrical Power Corporation (EPDC) of Japan, with Mitsubishi and Hitachi. It will be at Allaga on the Aegean coast and produce around 1,600 MW.

The Bechtel and EPDC plants will be run as joint ventures with the Turkish Electrical Authority, TEK, for 15 years. After which they will be handed over to the Turkish government. The Australian project has a longer life and will not be handed back for 26 years, close to the economic life of the station.

Underwater cable sale to Soviets

CIE GENERALE d'Electricite CGEP (CGE) said its Submarcom underwater cable subsidiary had signed a Fr216m contract with the Soviet central buying office Mashpriborintorg. Reuter reports from Paris.

The contract is for 392 km of reinforced coaxial cable and includes 40 underwater repeaters and terminal equipment. The cable would be laid by a French ship, but the contract included training in France of Soviet personnel. Delivery is due in July 1988 and the contract would be paid for in European Currency Units, the statement said.

David Barchard in Ankara on the 'Build-Own-Operate' method for projects which clinched a contract with Australia

Energy deal a triumph for Ozal's novel financing model

THERE WAS a sense in Ankara yesterday that something rather unusual in international trade terms had been achieved with the announcement of the decision to go ahead with three giant coal-fired power plants on the Turkish coast.

Both the Turkish Government and the two rival consortiums which had been negotiating the projects for two and a-half years have made the utmost concessions to clinch a deal.

For the Turks, the deal means that a new source of project financing, very close to direct foreign investment, has become available for big infrastructural deals. It is something of a personal triumph for the Prime Minister, Mr Turgut Ozal, who three years ago

announced to a sceptical world that he had come up with an alternative to traditional project finance.

Hard negotiations have since smoothed away the uncertainties and objections voiced by foreign banks, companies and, above all, export credit agencies.

Turkey wants the model not only because it enables it to go ahead with projects for which it might not be able to borrow money. The background to the power plant schemes is an expected annual increase of 12 per cent in demand for electricity over the next five to 10 years.

The model will also give the Turks access to foreign management and technical assistance in the day-to-day running

of the plants once they are constructed. It is hoped that some of the less-happy episodes in Turkey's recent industrial history, notably the delays and confusions of a giant lignite-fired power plant at Afsin Elazistan, built with traditional project finance, will be avoided.

The Turks also hope that the new models will prove that Turkey is a safe environment for the foreign investor in the medium-to-long term, and that an inflow of other investments will follow.

The Australian hopes surrounding the project are no less high. The Yumurtalik plant, which will be a deep sea port, will consume 3m tonnes of Queensland coal, supplied at an expected \$35 per tonne cif, but

the port will take delivery of an initial 10m tonnes a year. The balance will be re-exported to Europe and the Middle East.

The port is designed to be expanded to at least three times its initial size in two subsequent enlargements. An Australian source in Ankara yesterday said: "We should be able to supply Queensland coal to West Germany at about half the cost of German coal."

The Australians assume that the deal will in its initial stages give them a virtual monopoly of the rapidly growing Turkish coal import market because of their ability to undercut all other international suppliers.

The Australians have also dangled before the Turks the possibility that the vessels carrying the coal to Yumurtalik

will be able to take cargoes back to the Far East.

These include not only such Turkish bulk exports as minerals, but also crude oil. The new deep sea port will be only a few miles from the Mediterranean terminal of the Turkish-Iraqi crude oil pipelines.

It appears to have been these considerations which persuaded the prime minister to resist powerful lobbying from the US (at least one senior administration official is said to have rung him up to press Bechtel's claims) on behalf of the other consortiums.

He said yesterday that the deal was not the first time that the "Ozal Model" (also known as "Build-Own-Operate") had been used and that the govern-

ment had negotiated nine agreements for hydroelectricity plants on the same lines. These appear to be mostly small deals with local companies, however.

The second and third contracts will probably be signed in May and November of next year, if everything goes according to plan. However Turkish contracts have a way of being delayed again and again. It is understood however that the letters of intent which the Turkish Government was yesterday preparing to send to each consortium will have a stated time limit.

For the time being however, the future of all three deals will depend on the outcome of the general election on November 1. Turkey's three main opposition parties have signalled

that they do not like the Ozal model. While they would not scrap an existing arrangement if elected, they would probably not go through with an incomplete deal.

A hostile government is just one of a series of possible hazards which the ventures could face during their 15-to-26-year life spans. These have been the subject of detailed contingency plans largely drawn up as a result of negotiations with the US Eximbank.

Turkey has firmly resisted all attempts to make it give a sovereign guarantee for the projects. It wants them to be credit rather than debit items on its balance of payments, which they would not be if it issued a sovereign guarantee.

Wales

The Financial Times is proposing to publish this Survey on FRIDAY SEPTEMBER 25 1987. For full details, contact: CLIVE BRADFORD on 0272 292565. FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

Finnish-Soviet trade declines

BY MARGIE LINDSAY IN LONDON

THE SOVIET UNION has fallen to second place in trade with Finland for the first time since the mid 1970s. The drop in Soviet-Finnish trade last year, West Germany is now expected to become Finland's main trade partner, followed by the Soviet Union, Sweden and the UK.

Soviet-Finnish trade troubles began when the world oil price fell below \$20 a barrel. Last year the percentage share of the Soviet Union in Finland's trade fell to roughly 18 per cent from a former high of over 20 per cent in the early 1980s.

According to the Finnish Finance Ministry, trade with the Soviet Union is expected to fall by 10 per cent in volume terms this year over last year. A further 10 per cent drop is expected in 1988, with a similar decline projected for 1989. In 1981, two-way trade reached a peak of \$6.8bn and has declined gradually since. The National Bank of Finland recorded Finland's imports from the Soviet Union for the January-July 1987 period at FM 6.88bn and exports at FM 7.75bn. The balance of trade has usually been in Finland's favour.

Finland's trade with the Soviet Union is conducted through a clearing account system. The USSR ended 1986 with

a large deficit. Under the terms of the clearing system, this deficit needed to be erased. The result was the opening of a special account—similar to a low interest short term credit—totaling about 300m roubles (\$477m). The first payment on this account, which was formally arranged in February this year, is due in 1988 with final payment in 1991.

Trade with the Soviet Union is highly dependent on oil prices. When the world price of oil dropped, the Soviets found themselves strapped for hard currency. As a result trade with Finland suffered.

Both the Finance Ministry and the National Bank of Finland agree that trade with the Soviet Union is declining and will continue to decline unless one of two events occur.

Either the world oil price rises to over \$20 a barrel and remains there, or Soviet leader Mikhail Gorbachev's restructuring of the Soviet economy changes significantly the ability of the USSR to sell large quantities of industrial and consumer goods to Finland. At present it relies upon oil, and oil-related, export products.

The Soviet Union is expected to end the year with another deficit in Finnish trade, probably of around \$200m.

European anger at US textile restraints

THE EC will be forced to take action against US products if Washington passes legislation to curb imports of textiles, clothing and shoes, the European Commission warned yesterday. William Dawkins reports from Brussels.

In the Far East, Asian exporters reacted angrily, saying that such a move could invite retaliatory measures from its trading partners.

Mr Willy de Clercq, the EC's

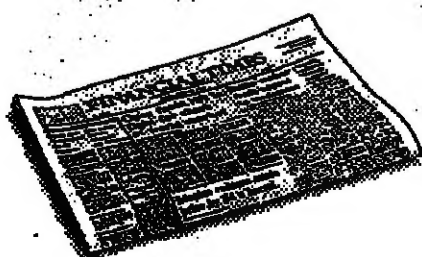
Commissioner for external trade, said there could be "no justification" for such a move. He was responding to the vote a day earlier by the US House of Representatives in favour of a bill to limit to one per cent the annual increase in US textile and clothing imports and to freeze foreign shoe sales at current levels. "The whole international trading system will bear the costs," said Mr de Clercq.

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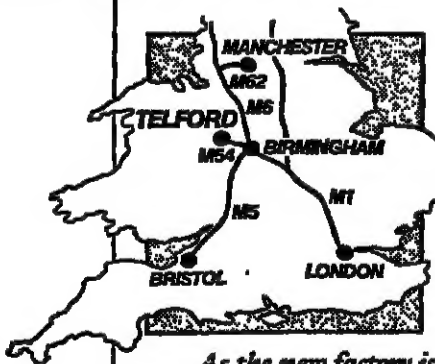
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The French were also impressed with how easy it is to get people to and from the town. Birmingham International Airport is only a forty minute drive away, while just over two hours on a train will get you to the heart of London.

As the new factory is set to create 235 jobs, the ready availability of a skilled, adaptable workforce was another key consideration. Needless to say that in Telford Peaudouce found all the people they needed. Moreover, in the Telford Development Corporation they found the people who could make the whole project go as smooth as, dare we say it, a baby's bottom.

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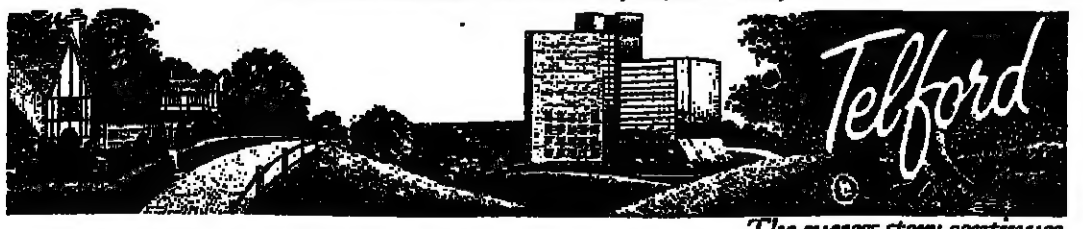
Add all this to the fact that Telford is set amongst some of Britain's most beautiful countryside and you'll begin to understand why the town came top of the French multinational's list.

So if you're thinking about relocating your business perhaps this baby's bottom is just the pointer you've been looking for.

But before you read the rest of the paper we'd like to leave you with one final thought. With £10 million at stake, you can rest assured that when Peaudouce finally chose Telford as the site of their new nappy factory, it wasn't a rash decision.

To find out more ring Chris Mackrell, Commercial Director on 0952 613131.

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The success story continues.

MANAGEMENT

Diversification

The Saatchis' search for serious money

Christopher Lorenz assesses the ubiquitous brothers' latest ambition - to add financial services to their empire

VISIONARIES, megalomaniacs, or just plain opportunists? That is what the business, financial and investment communities on both sides of the Atlantic have been asking with growing perplexity this week about the amazing brothers Saatchi.

There is certainly plenty to be puzzled about. The head-scratching started on Sunday with the remarkable news that Maurice Saatchi, chairman of the world's most voraciously expanding advertising, marketing services and management consultancy combine, had just proposed marriage to Britain's troubled Midland Bank, which is roughly double its size.

Not surprisingly, Midland rejected the idea out of hand. There the episode might have rested, either as a wayward piece of Maurice Saatchi's opportunistic or as the first hint of a plan to emulate Italy's Carlo de Benedetti, and other European buccannery, in the construction of a disparate collection of business empires based round a number of entirely separate cores; in de Benedetti's case, these include electronics, media, food and vehicle components.

But not a bit of it. Instead, Saatchi & Saatchi reacted to Midland's rebuff by declaring its belief that financial services were "a very natural extension of the business service sectors we are already in."

On Monday, Saatchi's shares rose slightly. But the next day they plunged in disbelief when it emerged that the company was not only engaged in takeover talks with one or more of the world's leading accountancy firms, but was also in negotiation with a broad raft of British financial services organisations, notably merchant banks.

Inquiries to the Saatchi camp (the company almost never talks "on the record") elicited its confident expectation that at least one such deal would be signed within months. Rumours instantly started coursing around the City, with merchant banks Hill Samuel and Morgan Grenfell two of the most popular tips.

Yesterday Hill Samuel confirmed that Saatchi had made a firm approach, which it had rejected.

Far from being merely an opportunistic strike, in other words, the talks with Midland were clearly just part of a much broader foray by Saatchi into financial services, on a platform of supposed "industrial logic": of synergy between the hitherto separate and very different worlds of business and financial services.

The Saatchi plan was - and very definitely still is - to bridge the two, and repeat in financial services its achievement in advertising of moving from no-

Far from being an opportunistic strike the talks were part of a broader foray

where to become the world's number one in barely 15 years. (It harbours similar global ambitions for all the other business services it has gobbled up through acquisition in the past few years.)

The place that Midland - or any other clearing bank - was intended to occupy in Saatchi's scheme of things is still unclear; initial guidance from the company on Monday night was the logical argument that, since the main thrust of the new strategy would be into corporate financial services, any link with a "clearer" was not top of the priority list. Hours later, however, a different Saatchi source contradicted this logical position.

Tuesday's incredulous reaction from many city analysts, management consultants and others was therefore understandable. Much of their language was unprintable. But one consultant with years of experience within international service organisations condemned the move on Midland as part of "a Chinese money game", and the wider Saatchi strategy to diversify financial services "as having nothing logically to do with the building of a service

conglomerate." Whatever the investment and share price logic might be, the strategy had "no meaningful synergy from a business point of view," agreed Neil Blackley, senior marketing services analyst at James Capel.

At a time when successful global service organisations such as American Express have been turning their backs on the concept of "financial supermarkets", Saatchi is effectively doing the opposite.

In reality, the strategy is a good deal more thought-through than that. Nor is it a complete bolt from the blue. For one thing, Saatchi is thought to have made an approach several years ago for Phillips & Drew, its own broker, which has since been bought by Union Bank of Switzerland.

Furthermore, the Saatchi camp feels that by no means all the financial institutions it is talking to are as dismissive as the Midland of its notion of the gradual breakdown of barriers between financial and business services, and the construction of a "multi-service business" with the resources and global spread capable of confronting, especially, the Japanese threat in financial services - a danger of which Saatchi has been making much this week.

The Saatchi logic, as expressed in a special study which has been shown to these and other institutions, is certainly complicated. It rests on several key components:

1. The power of a global strategy. This has become a familiar scene in manufacturing thanks to the worldwide success of the Japanese; it is not only Saatchi which has spotted that the same phenomenon is now becoming increasingly evident in many service sectors - especially finance.

2. The organisational and competitive power of scale, especially in terms of capital resources, superior market intelligence, information systems, and career opportunities for staff.

3. The transferability of management skills from one area of knowhow-intensive services



(such as advertising or management consultancy) into another (such as financial services).

4. Saatchi's own particular experience of managing a network of service businesses which is unusually widely spread, both geographically and in terms of the range of activities. Despite the highly-publicised departure of a few star names, Saatchi claims to have handled successfully the inevitable problems of acquiring and digesting new US subsidiaries without destroying the entrepreneurship and drive which made them attractive takeover targets in the first place.

It also believes it has developed effective systems for managing a multi-service operation. It takes great pride in having lured into key positions a number of experienced top managers from outside.

5. The potential for securing extra business, and giving clients a much better service, through cross-fertilisation of expertise, and referrals between different parts of its diverse empire. Saatchi's latest annual report acknowledges the difficulties of executing such a strategy, but asserts "we are no-

theless dedicated to its achievement."

Globalisation (point 1) is a highly controversial topic in itself, especially regarding its strategic and organisational consequences. But Saatchi is right to emphasise the radical effect of global competition, and the globalisation of certain products and markets, on the structure of both business and financial services (though not necessarily on the cross-over between them).

Point 2 (the benefits of scale) also has its controversial aspect, but again it does not necessarily detract from the Saatchi argument.

Point 3 (the transferability of management skills and experience) is fine in principle, though there are many shades of difference between the management of accountancy and consulting, for example, let alone between advertising and financial services. But, as in manufacturing, management expertise can be transferable - to a degree, at least.

It is on the fourth and fifth points that Saatchi's case becomes most controversial. Is Saatchi as good as it says it is at

managing a far-flung, fast-growing and diverse services empire? In particular, has it found an effective balance between the continued decentralisation of entrepreneurial units (on which it prides itself), and the exploitation of those "family connections" between disparate units which - in the final analysis - will be crucial to the success of the entire strategy on which the whole Saatchi empire has been constructed?

The Saatchi camp has put much emphasis this week on its feeling that investment analysts and the media have always exaggerated the importance of such cross-referrals to its current and future success.

Instead, the company sees the route to eventual cross-fertilisation as lying largely in the gradual, independent development of each of its units into a top performer in its particular market place. One that has happened, goes the argument, cross-referrals will start occurring almost of their own accord: both from within the Saatchi empire (as units start wanting to refer business to each other), and from outside, as senior executives in client organisations

encourage their staff to use the Saatchi portfolio of services. To a limited extent this has already started to happen: Saatchi can point to a number of examples in various parts of the group and in various countries. Analyst Blackley confirms some of these gains, notably those that followed Saatchi's 1985 spate of acquisitions of US "below the line" consultancies in such fields as public relations, sales promotion and design. "It started off at a cracking pace," he says. "Since then, however, the momentum has fallen off."

Blackley claims this is partly because Saatchi has failed to follow through by plugging the remaining gaps in its network of "below the line" firms. But he also puts it down to the excessive looseness of the management mechanisms which link the company's existing network. He considers that WCRS, a leading British advertising agency, which recently started following Saatchi into other marketing services as well as management consultancy, is already showing signs of developing a more effective way of managing inter-relationships within the firm.

The dilemma facing both Saatchi and WCRS is how to strike an ideal balance between decentralisation and independence on the one hand (a key motivation for any group of consultants or "creative" specialists), and co-ordination on the other.

Though particularly acute for knowhow-intensive firms in advertising and consultancy, this is just a hot current topic within almost every type of multinational company, from Unilever to BP.

In Saatchi, the prime mechanism for co-ordinating such inter-relationships at present is a regular, but informal, meeting of senior representatives from all over the group. At least one very senior Saatchi executive feels strongly enough to speak openly for a strengthening of the system. Scott Anderson, chairman of MSI International, a prime recruitment consultancy offshoot, advocates "a slightly more formal co-ordination of the group's experiences with particular clients. In no country does the group have a local focal point. Most senior people in Saatchi are terrified of anything that looks like bureaucracy - there's very little structure in the middle."

Even insiders who are complete supporters of the Saatchi management approach admit that it is in a state of flux. As it stands, therefore, the Saatchi approach is certainly not a proven model capable of direct transfer to the management of a diverse financial services group.

The whole concept of cross-referrals is also hotly disputed

between advocates of "service supermarkets" and supporters of specialist firms. Dean Berry, a business school professor and senior partner of MAC, a leading management consultancy, says "specialist business services are professionalising so fast that most clients don't want or need one-stop shopping". In the majority of client organisations the contact points for each particular service are "scattered all over the place, and at various levels. It's a very complex map," he says.

Even if the likes of Saatchi and WCRS can persuade their clients' chief executives or marketing directors to recommend the use - or just the by-consideration - of its full panoply of services, there are all sorts of reasons why their underlings may fail to comply.

If such cross-overs are difficult to create and exploit within the business services sector, what chance of them working between business and financial services?

The near-universal move of accounting firms into management consultancy over recent years might appear to be a concrete example of precisely this trend. But in many ways accounting is more of a business service than a financial one.

Equally, the recent move by UK banks into estate agencies

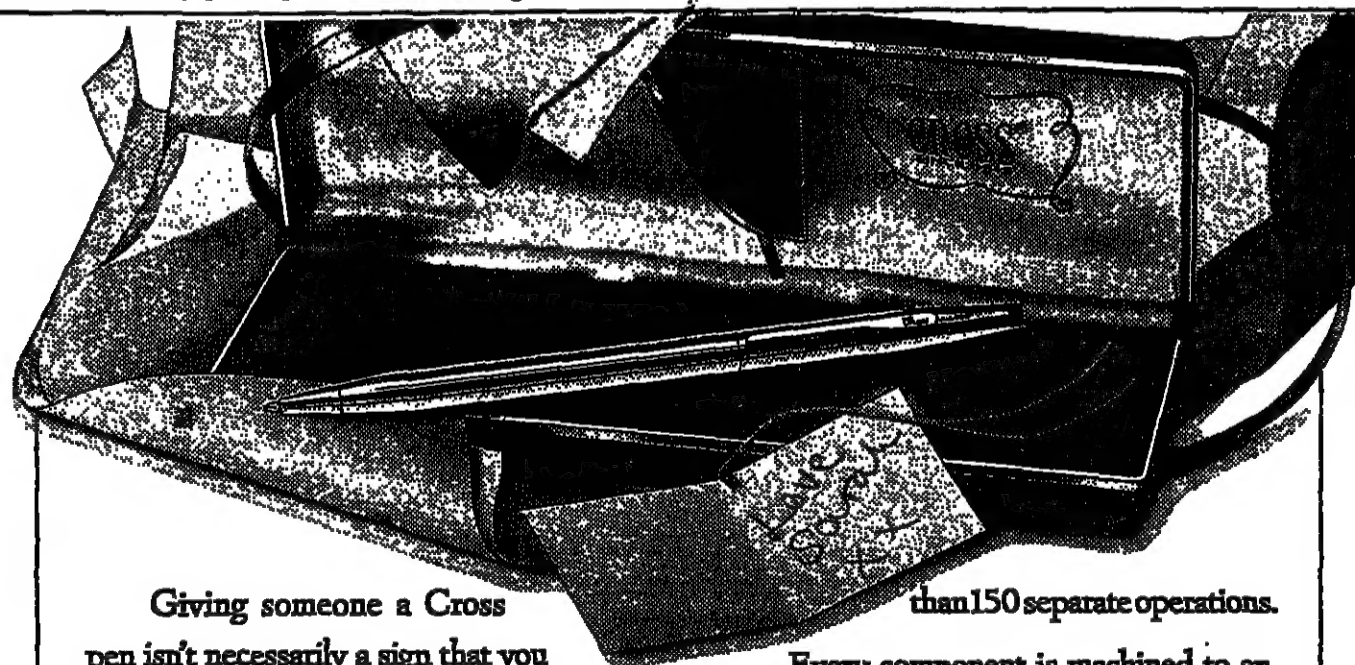
'Most senior people in Saatchi are terrified of anything that looks like bureaucracy'

is also seen by most financial services experts as a natural "fit". Estate agency has more to do with financial than with business services, according to this argument.

As a prime example of its strategy operating in the reverse direction, the Saatchi study cites Deutsche Bank's purchase last month of Roland Berger, West Germany's largest independent management consultancy.

Yet several European acquisition experts, such as Martin Waldenstrom of Booz, Allen and Hamilton, the management consultancy, see this as a peculiarly German affair, arising from the unusually close advisory role that German banks have always played for their corporate clients.

Even if Saatchi does pull off an unlikely string of coups in financial services, it will be left facing what another consultant calls "enormous cultural problems". The worlds of business and financial services are very far apart, and it will take a lot more to marry them than just vision, drive and a management style which has still to prove its staying power.



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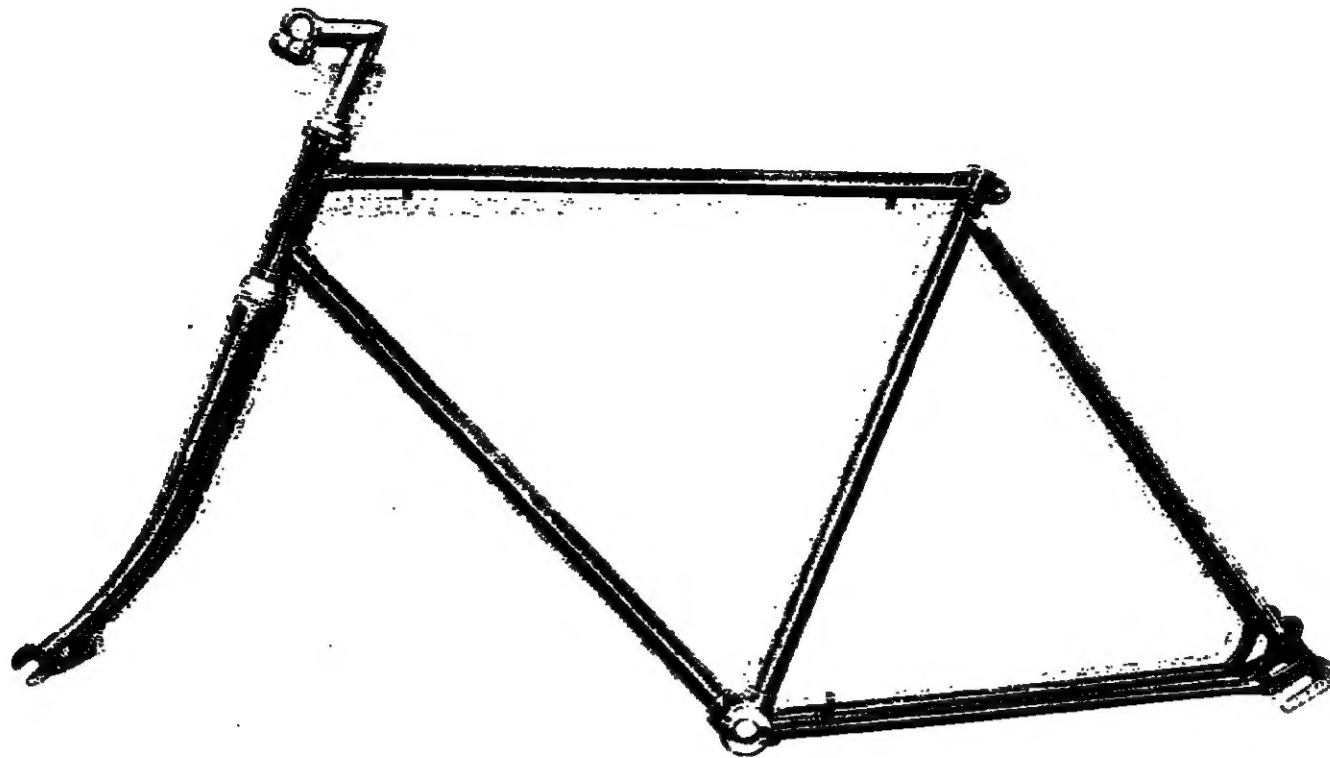
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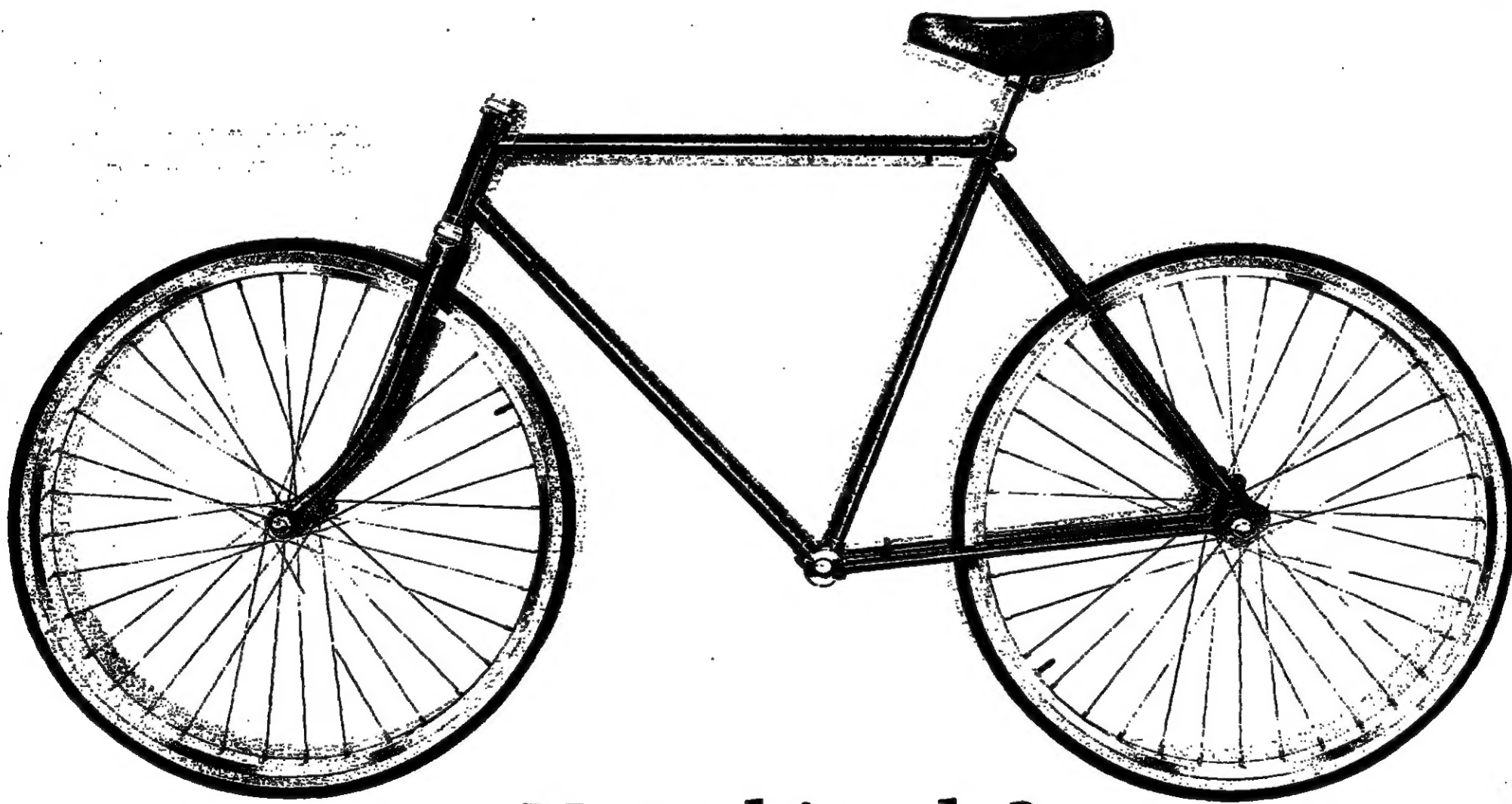
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Not a bicycle?

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A simple enough arrangement, surely? But as one of our clients discovered, there's a snag.

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Our client was importing a consignment of bicycle parts, including handlebar-stems, all on the same ship from Taiwan. Naturally he declared them as 'parts', liable to the lower rate of duty.

When the ship docked, the parts were seized by Customs and a duty of 17% slapped on them. Customs

said they were 'bicycles'. Our startled client even had to pay an extra penalty to get the parts back.

He'd run into an international customs rule that basically says a collection of parts is a finished product if it represents the 'essential character' of that product.

That's when we rode into action. And after carrying out a detailed examination of the customs rules, we found a way round the problem.

Take out the handlebar-stems.

We concluded that, in this particular instance, the handlebar-stems should be shipped in separately. The rest of the consignment could then be declared as 'parts'

not 'bicycles', and the duty would only be 8% not 17%.

Strangely enough, it seems that a consignment of handlebar-stems, frames and forks could still be 'bicycles'.

It's a complicated story, this saga of the bicycle-parts, but it does make a point about our attitude.

We take a freewheeling, innovative approach. We're not stuffy and remote, we like to get involved in the nitty-gritty. (We work at Southwark Towers, not Ivory Towers.)

Occasionally, we can even be seen in bicycle clips.

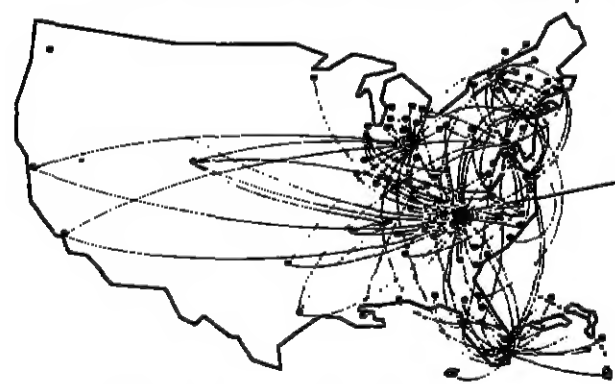
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And it's typical of an airline whose name has become synonymous with service in the States.

In 1985, it walked away with Air Transport World's prestigious Airline of the Year Award (won in the past by such as Swissair and Lufthansa, won since by BA).

Its current, independently monitored ratio of complaints received per 100,000 passengers carried is, at 1.08, barely a blip on the scale.

And such is the loyalty Piedmont inspires that when, last year, an influential US business magazine asked its readers to name their favourite US airline, Piedmont came runner-up without even being on the survey.



Little wonder then that Piedmont is America's fastest growing major airline, carrying more than 24 million passengers last year. (Compared to British Airways' 18 million.)

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And second, you'll be flying to the fastest.

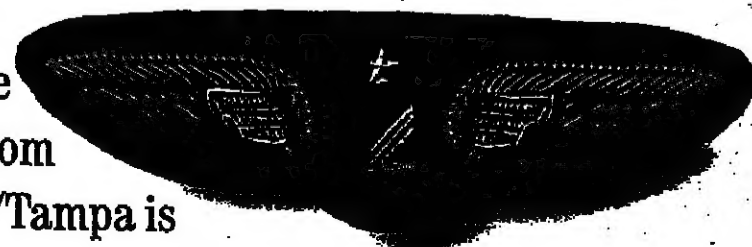
At Charlotte, Piedmont promises that you'll clear Immigration, Baggage Reclaim, Customs and be ready for your connecting flight inside an hour.

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Tory MPs urge public funding for inner cities

BY JOHN HUNT

A CALL for an injection of public money into inner city regeneration will be made today by a group of 15 Conservative MPs from the Home Counties and the West Country.

They have produced a pamphlet suggesting that about six cities should each receive up to £50m in "pump priming" capital for a new generation of urban development corporations.

The likely candidates would be Leeds, Sheffield, Bristol, Cardiff, Southampton, Middlesbrough and Rotherham. The proposal comes after it was made clear at the start of Mrs Thatcher's inner city tour on Wednesday that the Government would not be able to find extra money for inner cities.

However, the MPs say it is essential that public sector investment in them is more than matched by private capital investment.

They also say there is a strong case for using the revenue from the sale of the land and capital assets of the new urban development corporations.

They estimate that £200 will be released by this means and argue that some of it should be used to fund the next phase of urban redevelopment.

"It may even be possible to tap some of the London Docklands Corporation's profits for this purpose," they say.

They also want the creation of "cashless" development corporations on an experimental basis in such towns as Leicester,

Nottingham and Derby. These would take over planning and development controls from the local authorities to speed up housing and other developments.

Their proposals are contained in a Conservative Political Centre pamphlet entitled *This Pleasant Land* by Mr Nicholas Baker, MP for North Dorset, and Mr Jerry Wiggin, MP for Weston-super-Mare, a former parliamentary secretary at the Ministry of Agriculture with responsibility for land and planning. They have the backing of 13 other Tory MPs.

The main thrust of their argument is the need to reverse the drift to the south-east and to prevent overdevelopment in rural and green belt areas.

They complain that inner city councils and some public sector owners are hanging on to land in the inner cities. To stop this they suggest a public auction system to allow developers to serve notice on local authorities or state bodies that their undeveloped urban land should be auctioned within three months. The highest bidder would acquire the land and would have to commence development within a year.

The pamphlet calls for a national land use survey to determine how much land is suitable for housing and other development in the cities.

This Pleasant Land, A New Strategy for Planning, Conservative Political Centre, 32 Smith Square, London SW1P 3JH, £1.95.

Industrial design standards attacked

BY FEONA McEWAN

BRITISH manufacturing industry was criticised yesterday for mediocrity in product design.

Mr Simon Hornby, chairman of the Design Council, said: "Though there are some exemplary companies, the general standard of design management in companies in Britain is nothing like good enough... and mediocrity in design is the rule."

He blamed managers for failing to recognise the necessity of good product design and for failing to make full use of the outstanding talent available.

Speaking at a press conference to mark the council's 1986 annual report, he said: "Industrial output may be improving, but this does not necessarily mean the design element is being treated more seriously."

He cited the spiralling imbalance of imports to exports as further evidence that British design was not good enough. A high proportion of products submitted to the council's own good design label scheme had been rejected because the design was simply not good enough.

There is still a need to convince many top managers that design is important enough to demand their personal attention and commitment," he said.

As a result of the current in-

dustrial renaissance the role of the Design Council was even more urgent than ever, said Mr Hornby.

The two main priorities remained to convince industry of the vital but integral importance of design in the manufacturing process and to advance design education at all levels starting from primary school.

The council is urging the Education Secretary to secure design education as part of the core curriculum in future, not as a discrete subject but pervading all subjects from physics to technology and art.

In the year since the appointment to the government-funded council of Mr Hornby, who is also chairman of W. & S. Smith, a number of initiatives have been set in motion to improve the efficiency of the oft-criticised body.

There will be fewer and more focused exhibitions, a review of the effectiveness of the design label scheme and a new post has been created for a marketing head to develop revenue-earning activities.

The idea is to boost income through sponsorship and other activities. Government funding has so far this year reached £13m, which equals the total sum awarded last year.

Large rise seen in sales of books on money matters

BY RAYMOND SHODDY

SALES of books about business, personal investment and family money matters are showing enormous rises and, in the post-AIDS world, explicit sex-at-technique books are in rapid decline.

These changing trends in book-buying habits emerge from a survey of the reading habits of the 400,000 members of The Leisure Circle, the UK book club owned by Bertelsmann, a West German publishing company.

About 70 per cent of the circle's members, largely recruited by door-to-door salesmen, have never bought a

hardback book before, the survey shows.

Mr Gerhard Janetzky, managing director, said: "We are selling books to people who for the most part have never thought of going into a bookshop."

A new Barbara Taylor Bradford, author of books such as *A Woman of Substance*, may sell between 25,000 and 30,000 copies through general trade publishers but 120,000 through the circle.

Literary works in hardback by a traditional publisher can reach bestseller lists with sales of 6,000 copies but sell up to 30,000 a year with the club.

Textile capacity falling behind

BY NICK GARNETT

THE GULF between the UK's manufacturing capacity in primary textiles and that of Italy and West Germany, Europe's biggest producers, is continuing to widen dramatically, according to the latest figures on machinery installation.

Britain now ranks only about seventh in overall spinning capacity within the EC and sixth in weaving, measured by statistics from the Swiss-based International Textile Manufacturers Federation.

The UK's position in size and re-investment appears to be still sliding. For example, last year Italy installed more than 200,000 new spindles for cotton, artificial fibre and wool spinning, an area in which it is already four times as large as Britain.

West German textile companies purchased half that amount but installation of new spindles in Britain was almost nil.

The UK did introduce last year 3,800 new machines known as open-ended rotors which are between three and six times as productive as traditional spin-

ning machines. That figure, however, was much lower than in Spain, France, West Germany and Portugal and compares with the 22,000 rotor machines installed by Italian textile companies in 1986.

Weaving machinery tells a similar story, although the disparities are not so great. British textile companies bought 450 new looms last year, according to the federation. Italy, however, installed 4,500 new looms, more than a fifth of the UK's total capacity in looms for cotton, artificial fibre and wool weaving.

Mr Herwig Strolz, the federation's director, said: "It is a sad story for the UK. The figures show the astonishing growth of Italy in textiles and the consolidation of West Germany as Europe's second textile economy."

The federation figures are based on shipments of new machines from 75 makers of spinning and weaving machinery around the world. The companies account for virtually all worldwide production of these machines.

BBC local radio chain 'to be completed'

By Raymond Shoddy

THE BBC is to complete its chain of local radio stations in spite of having to cut overall costs because its licence fee had been tied to the Retail Price Index.

Mr Michael Checkland, BBC director general, last night announced that seven more stations had been approved, when opening the Royal Television Society's Cambridge Convention.

The stations, to be built in the next three years, will give access to BBC local radio to 4m potential listeners in Gloucestershire, Hereford and Worcester, Wiltshire, Suffolk, Surrey, Berkshire, Warwickshire and Dorset. They will bring the chain of BBC local stations in England to 39.

Mr Checkland said the green paper on radio's future in the UK recognised the corporation's public-service broadcasting role in local radio based on speech and news - that is rather than on popular music.

He said: "We will move forward rapidly within the resources we have made available."

Local radio was examined at the corporation this year as one area of possible savings but the corporation has now decided on expansion by deferring other capital spending and by cutting costs of new stations.

Mr Checkland said the corporation's future horizons were nothing if not realistic. It would not follow ITV in transmitting television throughout the night and did not seek involvement in community radio.

However, he said it was still looking at the possibility of adding to licence-fee income by delivering a subscription service of films to video-recorders in the middle of the night, and in examining delivery of special-interest videos to closer user groups. Mr Checkland reaffirmed the corporation's commitment to public-service broadcasting.

He told broadcasting industry leaders broadcasters needed to do more than just ensure that in a democratic society the public had access to all the arguments.

ITV fears bias in PM seminar

By Raymond Shoddy

A ROW has broken out between independent television chiefs and Downing Street over claims that Mrs Thatcher's seminar on the future of broadcasting on Monday is biased against the ITV companies.

Although there are 23 outside guests, no-one has been invited from the big five ITV companies which dominate commercial television production.

The two ITV representatives at the Downing Street seminar are Mr David McCall, chief executive of Anglia Television and chairman of the Independent Television Companies Association, and Mr Bill Brown, managing director of Scottish Television.

The ITV chiefs have asked for a programme controller from one of the big five companies to be included on the list to talk about the importance of programme production, but the request has been turned down.

ITV is also alarmed at the blunt nature of the briefing notes sent out to those attending.

The briefing document commented on ITV's case: "So far as the ITV system is concerned, the Government is considering the Peacock recommendations on: (a) auctioning of contracts; (b) separation of Channel 4."

Sir Alan Peacock, chairman of the committee which investigated the future of broadcasting, will open the proceedings.

Meanwhile, the ITV companies are in increasing disarray over plans to back the concept of a fifth television channel.

The figures do not include knitting machines, nor any of the equipment used in finishing or the making up of clothing.

British companies in primary textiles have been making good profits and in one area, wool spinning, the UK is second in the EC league table of production capacity.

The federation says the statistics provide an accurate guide to the relative size of countries in primary textiles and their re-investment programmes. Figures due to be released towards the end of the year will show that the age profile of machines in the UK primary textile industry is one of the worst in Europe.

Up to the start of last year, the UK's total spindle capacity was 1.6m, compared with 5.8m in Italy and 2.4m in West Germany.

During the past 10 years, Italian textile companies have purchased 32,000 of the highly productive shuttle-less loom. West German companies have taken 16,000 and French producers have bought just 4,600.

David Lascelles talks to the hard-driving chief executive of Shearson Lehman Brothers Banking on benefits of a cost-cutting exercise

"WHAT WE DID is something that many other firms will be doing," predicted Mr Peter Cohen, chief executive of Shearson Lehman Brothers, the US investment bank.

He was referring to Shearson's announcement earlier this week that it was making 150 people redundant from its London office - a move which underlined the growing cost pressures in the City post-Big Bang and the hard look which financial institutions are now taking at themselves.

Mr Cohen, who is on a three-day visit to London from New York, was speaking in Shearson's smart new glass and steel offices in Broadgate, where it has pulled together its sprawling London operations.

He has a reputation as a cost-cutter. Aged only 41, he is wiry with short-cropped black hair and makes his points by stabbing the air with a fat cigar. In five hard-driving years in the job, he has built Shearson into one of the leading US invest-

ment banks, and a major component of the American Express Group.

The London cuts, he said, were part of a world-wide review of Shearson's operations, which had also included some small job losses in New York and a boost to Shearson's staff in Tokyo, where a big build-up is afoot. However, he suspected that all big US investment banks were facing the same problems; Shearson just happened to encounter them first.

As world capital markets expanded over the last couple of years, he said, no large house could afford the luxury of taking a step back and waiting to see what happened. So they all expanded fast in the US, London and Tokyo, adding enormously to their costs without a clear idea of where the new sources of profit would be. On top of that, the recent decline of the US bond markets had brought heavy trading losses.

"Last year, we had put a lot of pieces in place, and we wanted



Peter Cohen: acquisition habit is deeply ingrained

to look and see which businesses were profitable, which we should contract or run differently."

Shearson does not intend to withdraw from any lines of business in the UK, where it is active in corporate finance, commodities trading, fund management and securities dealing. Market-making is being trimmed, although Mr Cohen said it could expand again as markets improved.

"We have had a tremendous amount of capacity come into the business. Far more than was justified. We have to get that capacity in line with the realities of the market."

The London operation remains a vital part of Shearson's international strategy, both as a bridge between Tokyo and New York and as a springboard for the company's business in Europe. Shearson is establishing itself in several continental countries in anticipation of the liberalisation of EC capital markets in 1992.

Shearson was the only US investment bank which bought a UK stockbroker - L. Messel - for Big Bang. The firm has now

been completely absorbed, although the wisdom of that move has been questioned by other US banks which preferred to build up their own business.

Shearson - unlike other US houses such as Salomon Brothers and Goldman - is itself the product of more than 100 acquisitions. The habit is deeply ingrained. Some observers have commented that, if anything, Shearson was slow to cut the fat out of Messel. Often, people get their cards within days of their firm being bought up by Shearson.

Mr Cohen declined to detail the profit performance of the London business. He believes that the US firms which will succeed internationally are those with a diversified business, which can trade a wide range of products and possess the capital to shoulder very large deals themselves. He naturally counts Shearson in that category, but believes that only half a dozen other US firms qualify.

Bae to join US groups in tilt-rotor study

BY MICHAEL DUNNE, AEROSPACE CORRESPONDENT

BRITISH Aerospace is to join with Boeing Helicopter and Bell Helicopter Textron of the US to study the possibilities of developing tilt-rotor aircraft in the UK.

These aircraft use a variation of vertical take-off techniques. Wing-mounted engines in a vertical position enable take-offs and landings like a helicopter, but the engines are then tilted through 90 degrees into the horizontal to permit conventional forward flight.

In that way, tilt-rotor aircraft can get into and out of restricted spaces while performing in flight like fixed-wing aircraft at

speeds of up to 300 knots.

The world's first tilt-rotor aircraft, the V-22 Osprey, is being developed by Boeing and Bell in the US under a \$1.7bn contract from the Defence Department.

A total of 913 tilt-rotor V-22s are to be built for the US armed services with the first aircraft due to enter service in late 1991. The first flight of the V-22 is set for the middle of next year.

Under the deal announced yesterday, British Aerospace, through its Military Aircraft Division, will conduct assessments of the military and civil markets in the UK for such air-

craft, and will define and promote the type for use by the Ministry of Defence and commercial aircraft operators.

Boeing and Bell believe that the aircraft are ideal for flights between city centres. They are collaborating in studies which are being conducted by the Port of New York Authority into their use between New York airports and destinations within 300 miles of Manhattan.

The US National Aeronautics and Space Administration, also in conjunction with Boeing and Bell, has undertaken studies to define a series of possible tilt-rotor designs for inter-city commuter use.

In the UK, the aircraft would be suitable for the London City Stipport, which starts services on October 26. Eventually, commercial tilt-rotors could be providing services from that airport to near continental cities.

In Western Europe, a group called Eurofar (European Future Advanced Rotorcraft) is studying the possibility of developing tilt-rotor aircraft for civil and military use. The Eurofar participants include

Aérospatiale of France, Aeritalia and Agusta of Italy, CASA of Spain, Messerschmitt-Bölkow-Blohm of West Germany and Westland Helicopters of the UK.

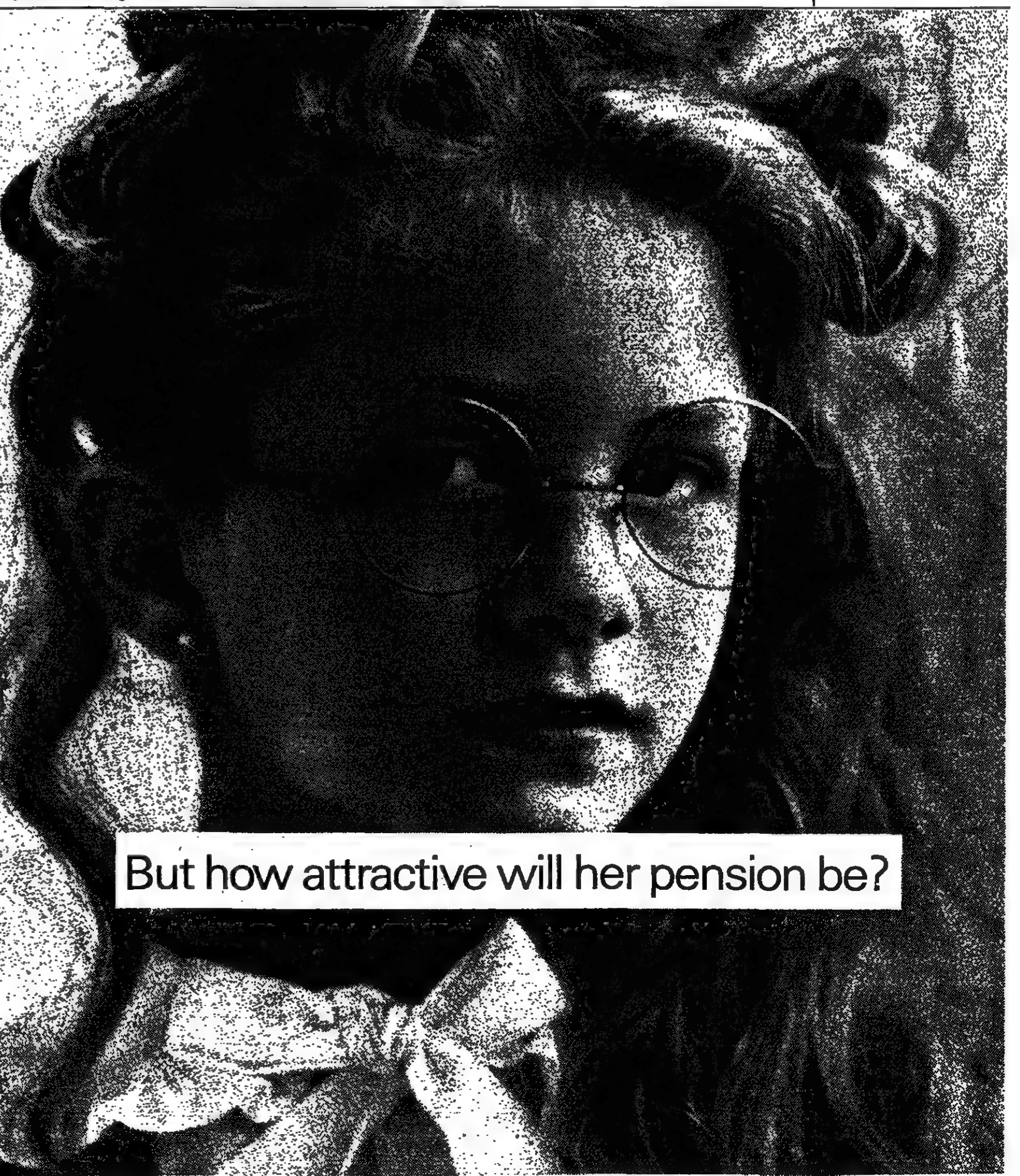
Orders seen for ATP airliner

By Michael Dunne

BRITISH Aerospace yesterday dismissed suggestions that its new 64-72 seater airliner, the twin-engine Advanced Turboprop or ATP, was in trouble because of lack of sales.

BAA said its concern about the ATP was negligible. It said: "Our confidence grows every day. We are hopeful orders are on the way. We are in deep negotiations."

So far only two customers have placed orders for the aircraft - British Midland, which is buying five, and Leeward Islands Air Transport, which is buying four.



But how attractive will her pension be?

If Deutschmark investments are part of your pension fund strategy, you are familiar with the variety of DM instruments available. But, there are subtle differences in yields, liquidity, maturity, and depth of the market. There are yet other considerations which may require tailor-made solutions.

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UK NEWS

Liberals clear way for talks on SDP merger

BY PETER RIDDELL, POLITICAL EDITOR

MR DAVID STEEL, the Liberal leader, will this afternoon seek to set the policy agenda for a new party with the Social Democratic Party after the Liberal Assembly yesterday voted overwhelmingly in favour of a merger.

After a three-hour debate, a motion backing the creation of a new party and setting the terms of the talks was approved by 898 votes to 21. So large was the support that a proposal for an initial ballot of all Liberal members was rejected as unnecessary.

However, the leadership was given a number of warnings not to ignore Liberal rank-and-file concerns.

Yesterday's vote opens the way for the start of negotiations early next month after most of the Liberal team is elected by the Assembly later today. The SDP's national committee meets on Monday to choose its representatives.

The SDP's ruling council rejected by a ratio of 60 to 40 an anti-merger proposal at its conference in Portsmouth 2½ weeks ago.

Leading members of both parties are confident that no impossible preconditions have been set for the talks, which should be completed in time for consideration by further conferences in January with final ballots next February.

After yesterday's vote Mr

Steel now wants to turn party and public attention away from internal debates towards the new party and the policy agenda to replace Thatcherism. He will focus on consumer interests and on the need to increase competition in both the public and private sectors.

However, a motion calling for a positive industrial policy involving government intervention was approved by 437 votes to 412 only after criticism that it was outdated and involved too much Whitehall activity.

During the main debate there were continued rumblings about how far the broad policy stance of the new party, as opposed to its detailed policies, should be approved before a merger.

This was favoured by Mr Robert MacLennan, the SDP leader, but opposed by prominent local activists, who suspect a plot to bounce on the new party a commitment to a continued British nuclear capacity.

Mr Steel's allies see a possible way forward in a suggestion by Mr Des Wilson, the retiring party president now allied with the local activists.

He said yesterday that the Alliance's June election manifesto and a previous policy statement could be 'the starting point for urgent and radical policy development by the new party.' This might meet SDP concerns.

There were only a handful of outright opponents of merger yesterday and it was significant that some of the doubters, sought to minimise differences with their local council allies by supporting the motion.

However, traditional Liberal suspicion of the leadership was reflected in strong support for an amendment on the composition of the negotiating team, which would not have made the party leader or his nominee an automatic member. This was only defeated by 571 to 527.

Ms Becky Bryan a Stamford delegate, called for the merger to be achieved as fast as possible.

'We have tried the patience of the electorate. A lot of people want a proper radical alternative...but somehow we have put our foot in it a bit.'

She warned delegates that the new party would have to move quickly to head off Labour attempts to gain the middle ground of politics.

Ms Fran Oborski from the West Midlands gave a warning against adopting too tight a timetable.

'It's better to take time now and get it right, rather than rush it and make a few mistakes we could repeat for a very long time,' she said.

Conference reports, Page 13

London casino stake sold by Goldsmith, Aspinall for £90m

BY NIKKI TAIT

SIR JAMES GOLDSMITH, the colourful international financier, and Mr John Aspinall, the 200 owner, are cashing in their chips in Aspinall Holdings, the London Mayfair casino operator and investment company.

They have agreed to sell the company - where they own a 78.2 per cent stake - for £90m to Alfred Walker, a former Birmingham housebuilder now being turned into a property and leisure group by former Pleasurama chief executive, Mr George Martin, and Mr Peter de Savary, the financier and yachtsman. The company is quoted on the Unlisted Securities Market.

'It's a name of high quality,' declared Mr de Savary, yesterday, 'and I believe we can take it into other leisure activities.'

Mr Aspinall, a former founder of the Clermont Club, opened the casino in Knightsbridge in the late 1970s with financial help from Sir James.

The company came to the market shortly before its move to freehold premises in Mayfair, capitalised at just under £60m.

The issue, however, proved a big success with stockmarket punters and the shares soared to an opening premium of 42 per cent, valuing the business only £5m short of yesterday's sale price.

Yesterday Mr Martin revealed

that he had attempted to buy the company for £125m about 18 months ago, in his Pleasurama days, but failed to win agreement. Mr de Savary, too, made an earlier approach to Sir James.

The lower purchase price, said Mr Martin, was partly justified by the change in the gaming climate. The absence of Arab 'high-rollers' - one quarter of Aspinall's customers - has hit all London casinos, and in the last full year Aspinall's 'drop' fell from £146.4m to £114.7m. Profits in 1985-86 were £7.3m before tax, and in the six months to March 1987, it made £4.2m.

Walker, which is almost doubling its size via the acquisition, has agreements with Mr Aspinall and Sir James for the buy-out of Aspinall's non-casino investments - including a £14.5m position in the copper market. This should guarantee that Aspinall receives around £25m in cash.

The terms are either 51 Walker shares for 100 Aspinalls or 173p in cash. Sir James and Mr Aspinall are taking cash in respect of the bulk of their combined holding - £58.5m - but retaining 2.9m Walker shares, about 6 per cent of the company. Yesterday, Walker shares shed 23p to 375p.

Private investors in BP sell-off will be offered bonus shares

BY LUCY KELLAWAY

PRIVATE investors applying for shares in next month's £7.5bn British Petroleum share sale, the largest privatisation yet, will be offered a package of special inducements including bonus shares, NM Rothschild, adviser to the Government on the issue, announced yesterday.

Although most recent privatisations have included bonus shares for loyal shareholders, this is the first time that a sale of shares in a company already quoted on the London Stock Exchange has been sweetened in such a way, and reflects the Government's desire to make the BP issue as attractive as possible to small investors.

However, BP shareholders will not be offered other inducements like petrol vouchers.

The terms of the bonus issue -

one new share for every 10 held for three years, up to a maximum of 150 bonus shares - are similar to the bonus package offered to British Gas investors when it was privatised at the end of last year.

Further inducements in the BP sale include selling the shares on a partly paid basis, and pitching the minimum application at a low level. Rothschild said yesterday the minimum investment would be about £280, with a first instalment of no more than £100. This is the same level chosen for the British Gas privatisation.

Rothschild yesterday expressed satisfaction at the response so far to the BP share marketing drive, which it said

was attracting more than 150,000 responses a day from shareholders. So far 3.75m people had registered their interest, a higher level of response than at this stage in any previous privatisations, the bank said.

Payment for the shares will be made over the next 18 months. The first instalment - likely to be about one third of the total price - will be payable in October with the second instalment in August next year, and the final in April 1989.

Mr Anthony Ait, a director of NM Rothschild, said yesterday those terms would increase the yield on the shares, which he estimated in the first year could be about 10 per cent on the partly paid shares.

Coal overtime ban goes ahead

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE PLANNED overtime ban in Britain's coalfields will go ahead from next Monday, after the National Union of Mine Workers and British Coal yesterday failed to agree terms for referring to arbitration their dispute over the industry's disciplinary code.

However, the ban will not affect safety and maintenance work and should, therefore, guarantee full five-day coal pro-

duction. The union executive decided to limit the ban to coal production and development work in overtime. This was seen to reflect many miners' fears of a crippling dispute so soon after the industry's 1984-85 strike.

The executive agreed to seek reference to arbitration by Acas, the Government-supported conciliation service.

British Coal said that while it

did not consider the issue at stake to be suitable for decision by arbitration, it was 'always happy to meet Acas' - on two conditions.

These were that the NUM should call off its threatened ban and accept British Coal's right to determine at which pit any dismissed miner should be re-employed. The union could not accept this.

Banker will head Takeover Panel

BY CLAY HARRIS

MR ANTHONY BEEVOR, an executive director of Hambros Bank, was yesterday named as the next director-general of the Takeover Panel, the top staff position at the self-regulatory watchdog for City of London mergers and takeovers.

Mr Beevor, aged 47, will assume his position on December 11. Like his predecessor, Mr John Walker-Haworth, Mr Beevor has been seconded to the panel for two years. Mr Walker-Haworth is to return to S.G. Warburg, the merchant bank, when his term ends.

The new director-general, the first to be supplied by Hambros, is returning to the panel after an absence of 16 years. He served as secretary of the panel in 1969-71, part of his 23 years' experience in takeovers both as solicitor and merchant banker. The executive guides and rules on the conduct of takeovers, although participants have the right of appeal to the full panel. This was used yesterday in the case of the late bid by

Crownx, the Canadian financial services group, for two money brokers owned by Mercantile House, the British financial services company which has agreed to a takeover by British & Commonwealth Holdings.

Mr Beevor was chosen by Mr Robert Alexander, the barrister who has been chairman since July, with the approval of the Bank of England. He will remain on the Hambros payroll, but the panel will fully reimburse the merchant bank.

All but four members of the panel's 16 permanent staff are seconded from government or the City.

The panel plans to revise the wording of rules governing disclosures of stakes held in companies involved in takeovers. The change will not affect the new thresholds brought in February - requiring holders of 1 per cent or more of a company to disclose any change in their stake.

Men and Matters, Page 24

Airline seeks City travellers to Paris

BY LYNTON MCLENNAN

BYRON AIRWAYS yesterday unveiled the Cityclass service which it proposes to offer business travellers from the London City Airport when it opens on October 26.

The service will include a Cityclass club and lounge at the airport, where members will be able to buy duty-free goods.

Passengers will also be able to book cars while in-flight, through an agreement with Europcar, and taxis if agreement can be reached with the taxi authorities. Tickets for local travel using public transport at Charles de Gaulle airport, Paris, and for buses from London City Airport to the City will also be available on the Paris flights.

Mr Charles Stuart, chairman and chief executive of Brynmor Airways and a former marketing director of British Airways, said he wanted Cityclass to be accepted by potential passengers in the way that British Airways' shuttle was accepted as a 'turn up and fly' service.

Competition on the route between London City Airport and Paris is likely to be intense. Brynmor Airways, which is management owned with a 40 per cent stake held by British Airways, will be competing with Eurocity Express, owned by British Midland Airways.

Both airlines will be using the de Havilland Dash 7 aircraft, with about 40 seats. Brynmor is to offer six flights a day and Eurocity four flights.

Air France has an agreement with Brynmor for it to use the Air France terminal at Charles de Gaulle, with each airline sharing costs and revenues.

Mr Bernard Morel, general manager of Air France for Great Britain and Ireland, said the total journey time between the City and the centre of Paris could be about two hours and 20 minutes.

THE MANAGEMENT board of the Royal Opera House is to hold an emergency meeting today to discuss the future of the company in the light of a pay dispute involving 69 members of the chorus which has cost the company £1.25m in lost box-office bookings.

The move comes amid signs that Equity, the actor's union representing the chorus is bracing itself for a long fight. The union, which claims that the 69 are not on strike but simply refusing to accept new contracts, said yesterday that it would be appealing as from next Monday to all its members to contribute to a special hardship fund in support of the chorus.

Equity said that the members of the chorus would return to work this weekend if management agreed to accept arbitration. But ROH indicated yesterday that it still believed such a move would not serve any useful purpose. 'As far as the board is concerned there is no more money available', the ROH said yesterday.

The pay offer involves a basic rise of 4 per cent plus an additional supplementary payment of £4 a week, bringing the maxi-

mum pay to £188.80. ROH chorus members want parity with their counterparts at the English National Opera who earn a minimum rate of £190 a week.

The ROH said that while the board today might consider a revision involving increased basic offer of 4 per cent, it said that any further increase would risk upsetting 1,000 other employees who have already settled for 4 per cent. It would also undermine what it described as its 'perilous finances' as a result of a cut in funds from the Arts Council.

Equity yesterday accused the management of getting its priorities wrong. 'All we are asking for is comparable money for comparable work. We are talking about the leading opera house in the country and we would expect the management to pay number 1 money for a number 1 chorus.'

The two-week dispute has led to the indefinite postponement of the opening of the new season. Cancellations so far have included Falstaff, La Bohème, and three performances of Tannhäuser, including one scheduled for Monday.

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Delegates express merger doubts

LIBERAL uncertainties about the proposed merger with the SDP surfaced repeatedly during an emotional debate, which ended with a resounding majority in favour of a motion setting out the party's starting point for merger talks.

The mood of the 24-hour debate was summed up by Mr Maggie Clay, of the Association of Liberal Councillors, who told delegates: "This party has established that it will fight. But many of us will fight and fight if we feel in any way that we are being sold down the river, that Liberal principles are being sacrificed or that anything but a 'ground-up' democratic party is going to emerge."

The main reservation among speakers in the debate was that statements of policy might be built into the foundations of the new party. Delegates applauded several of those who argued that the party should be built on principles - policy determination should be left to its members.

Mr Des Wilson, the party president, suggested that the solution might be to adopt the 1987 Alliance election manifesto as the starting point for urgent and radical policy development by the new party.

Reports by
TOM LYNCH
and **RALPH ATKINS.**
Pictures by
ALAN HARPER

elect by all members, a federal structure, representative assemblies, a constituency basis of association and the right of special interest groups to form autonomous associations.

The motion seeks full consultation across the country and instructs the national executive to set up a negotiating team consisting of the party leader or his nominee, the party chairman or president and eight members to be elected by the assembly to-day. The Scottish and Welsh parties will be entitled to send one or two representatives each.

Opening the debate, Mr Tim Clement-Jones, the party chairman, said the talks were an "historic chance" to reunite the Liberal and Social Democratic traditions in British politics which had divided the Liberal and Labour parties after the First World War.

But the most enthusiastic ovations of the day, highlighting doubts in the minds of many, were for an emotional speech by Sir Russell Johnston, the MP for Inverness, Nairn and Lochaber, who sounded a lament for the end of the Liberal Party, and an anti-merger speech by Mr Claire Brooks (Skipton), who warned against giving too much power to the new party's leadership.

Sir Russell, the pro-merger leader of the Scottish Liberal Party, said there should be some grief with the joy over the move towards the new party. He told the negotiators they had a duty to get the merger terms right. To lose the spirit of Liberalism would be to lose "everything we have worked for, so hard, so long and in the face of so much criticism."

Mr Brooks said: "Don't let any policy pact be a part of the founding of this new party. She feared the use of such a device

to harness unilateralists within the party and voiced concern over statements by Mr David Steel, the Liberal leader, that he favours some aspects of the SDP constitution. Their constitution is oligarchic, centralist, authoritarian, deliberately designed to preserve power in the hands of an elite."

Mr Wilson supported the proposition that the new party should be built on principle, because policies had to change with time and circumstances - for example, he had accepted a commitment on nuclear defence in the 1987 manifesto which might not be valid by the time of the next general election.

However, he argued that the fear of some SDP members on policy questions must be addressed by Liberals and suggested that the 1987 election manifesto, which Liberals had fought on only a few months ago, should still be acceptable to them.

The assembly decided not to carry out a ballot of English members on the principle of merger after delegates argued that it would delay the negotiations and that a decisive conference vote was enough to organise the talks.

Delegate in jeopardy over gun replica

THE TIGHT security at the assembly was highlighted by a delegate who said police had warned him his life would be "in grave danger" if he flourished a toy gun without warning.

Mr Paul Simple, of the Young Liberals, produced a 99p model of a Mauser automatic pistol, bought in a toy shop at Banbury, Oxfordshire.

He said the toy had caused such concern at the entry to the conference hall that it had taken him half an hour to get in, with the warning from a police chief inspector ringing in his ears.

During a debate on the Hungerford killings, he carefully produced the toy with its wrapping and told conference it had been sold as unsuitable for children under five. "I don't believe it is suitable for a child of any age. It epitomises a society which glorifies killing."

Mr Simple also produced a magazine called Air Gunner, featuring on its cover a teenager with a rifle, dressed in a combat jacket and a Rambo-style headband. "It is a disgrace that a few weeks after the killings in Hungerford a magazine such as this, which glorifies this sort of character, should be on sale."

He argued that everyone carried some blame for the Hungerford tragedy, because people had tolerated the "brutalisation" of their society by allowing the sale of violent and pornographic material.

The assembly carried a motion urging the Government to press ahead with its promised review of gun law, including an assessment of whether ammunition or semi-automatic rifles should be allowed in private houses.

Divergent factions manoeuvre for position in merger talks

AFTER the debates, the battle of the negotiations has now started. Liberal delegates will today elect members of the negotiating team, while on Monday the SDP's national committee will choose its side.

In both cases there is considerable manoeuvring for position among internal factions. Some of the internal Liberal argument has been subsumed into canvassing for the rival slates.

From the establishment side there are former presidents and close allies of Mr David Steel such as Mr Richard Holmes and Mr Alan Watson and Mr David Hughes from the association of parliamentary candidates.

The tribunes of the grassroots are likely to include former MP Mr Michael Manderson, retiring party president Mr Des Wilson (presumably in his role as outsider rather than insider) and Ms Maggie Clay, organising secretary of the Association of Liberal Councillors. There are also candidates backed by the Women's Liberal Federation and the Young Liberals.

The ALC-backed candidates are arguing that no decisions should be taken on the policy of the new party until after it has been set up. This contrasts with the view of both Mr Steel and Mr Robert MacLennan, the SDP leader, that a joint declaration on a policy stance should be issued before a merger vote. This is a confusing area in which subtle nuances take on an exaggerated significance.

Given the size of the probable negotiating team - not far off 30 in total from both sides - there will be representatives of all groups.

The SDP's problems are different. The anti-merger group led by Dr David Owen has so far had a majority on the national committee. Dr Owen has said he will not obstruct the negotiations.

But the pro-merger group remains suspicious about whether this policy will prevail in practice, notably among some of Dr Owen's more enthusiastic al-



Calm before the merger storm? David Steel at work on a speech on his hotel room balcony in Harrogate

lies. The balance of the national committee may have shifted. A number of people who voted in

PETER RIDDELL on the complex battle surrounding Liberal-SDP negotiations

last month's ballot for "option one" (closer links with the Liberals falling short of merger) now back the talks, including Mr MacLennan himself and Dr Dickson Mabon, as well as former MP Mr Ian Wigglesworth. Some opponents, such as SDP whip Mr John Cartwright, will not attend Monday's meeting.

Mrs Shirley Williams, the SDP president, has made it known that if there is any threat of obstruction she will appeal over the heads of the anti-merger group to local party activists.

In a speech on Wednesday evening, Mr Bill Rodgers said: "It would be indefensible for any Social Democrat to seek to impose behind closed doors a process of negotiations openly approved."

The SDP negotiating team is likely to include Mrs Williams, Mr Wigglesworth, Dr Mabon, possibly Mr Rodgers and local council, regional and special Scottish and Welsh representatives.

There is still uncertainty about how the teams will be led. Mr Steel is hardly a details man and talked on Tuesday about putting those involved in a locked room. By contrast, Mr MacLennan, the architect of the SDP constitution, prides himself on such nit-picky and sees himself as a guardian of the SDP's integrity in the talks.

The danger is that if the talks run into trouble Mr Steel will be a one-man court of appeal when that should be the role of both leaders.

Industry strategy 'like failed 1960s ideas'

A MOTION on Liberal industrial strategy was only narrowly passed by the assembly yesterday after being attacked as outdated, against Liberal traditions and like a "dish of cold porridge."

The motion - which repeated ideas set out in the party's general election manifesto - pledged Liberals to a "positive industrial policy" with government acting in partnership with industry and unions. It was passed by 437 votes to 412.

The 51-line motion called for an industrial strategy Committee, committees and for laws to force companies to declare research and development spending in annual reports. Other ideas included financial incentives for training schemes, the setting up of regional development agencies and an enlarged Office of Fair Trading to enforce a strict competition policy.

Mr Richard Holmes, a member of the party's policy committee,

said the motion demonstrated that Liberals understood the needs of industry.

"We seek a strategy arrived at by consultation. We seek practical help from practical men. We seek in the economy as a whole what we seek within each firm," he said.

He attacked the Government for failing to create a true framework for competition and criticised the sale of state monopolies like British Telecom. These, he said, raised money for the Government but did nothing to help wealth creation.

He said that although official figures published on Wednesday showed manufacturing output was now higher than in 1979, it was still below the level of 1974. This reinforced the need for regional development agencies and an enlarged Office of Fair Trading to enforce a strict competition policy.

But Mr Trevor Jones (West Dorset) said the motion included ideas too like the failed in-

dustrial policies of the 1960s which would be outdated in any merged party.

"This mish-mash has no place in a new party for the 1990s," he said. Liberals traditionally argued the importance of individuals in the economy.

"You cannot solve Britain's problems by setting up another Cabinet committee under a different minister to the last one. It is the British people who will solve the economic malaise of Britain, not the Government."

He called for greater emphasis on an entrepreneurial culture - "not another dose of 1960s Wilsonian economic mismanagement."

The policy set out in the motion was, he said, "a 20-year-old dish of cold porridge."

Some support, however, was given by Lord Ezra, former chairman of the National Coal Board. He argued for establishment of a "competitive frame-

work" followed by steps to regenerate industry. This would include increased investment, more joint public and private sector ventures, expanded training and an enhanced civil research effort.

Mr Matthew Taylor, MP for Truro, admitted the motion contained only a collection of ideas and little vision. But he said Liberal policy on the economy was in the early stages of development.

He said it offered the chance to apply grassroots Liberalism to an industrial strategy.

"We need to concentrate on policy that allows local business to develop and create permanent local jobs," he said.

Michael Cassell on the career of Lord Tordoff

Backroom peer to the fore

GEORGE TORDOFF can hardly be included among the ranks of open-faced, woolly-headed, badge-bearing Liberals who lend a certain piquancy to their party's annual assembly.

Neither does Lord Tordoff, the party's Chief Whip in the Upper House, fit the caricature of an ageing, bespectacled Liberal peer. He will be 59 next month, and is used to people assuming that his relative youth implies his peerage must be hereditary, which it is not. "I am afraid it is the automatic conclusion if you are under 60."

But he is acutely conscious of the rich mix of personalities which makes up his party and is concerned to ensure that any political machine which emerges from the Liberal-SDP negotiations always has room for its eccentrics. "They are part of its character, its charm and its strength. Whatever lies ahead, they have a role to play."

This week, the former chemist whose allegiance to Liberalism was sealed by Jo Grimond's stand against the Suez invasion, played a pivotal role in the merger debate. On Tuesday, he chaired the key session on the need for a new party and then worked late into the night to help produce the motion which went before delegates yesterday.

Though he was criticised for his handling of the few anti-mergerites, Lord Tordoff's calm countenance and self-deprecating humour helped set the tone for a realistic, well-measured debate. He believes the whole week has helped prove that the Liberal Party has "grown up."

"We have become much more experienced, largely because we now have so many people in local government and the party has this week shown itself to be extremely self-restrained. Everyone realises that a great deal is at stake," he says.

A Mancunian who spent 30 years in a marketing role with Shell Chemicals, Geoff Tordoff, as he is known by delegates, has been in the Lords since 1981. He was in fact the last Liberal to be included in a list of working peers and the Prime Minister's refusal to add any more to his hard-working team is a source of considerable annoyance to him.

He admits that his entry to the Lords was, in a sense, the "second prize" in politics, having fought three times for a seat in the Commons. In 1986 his agent was none other than Tony Greaves, now a leading Liberal activist and professional thorn



Lord Tordoff lives up to his title of "working peer."

in the flesh of the party hierarchy.

Ever since the early 1960s, Tordoff has been involved in the party organisation, first at regional and then national level. He was chairman of the assembly committee in the last year of Jeremy Thorpe's leadership, a role he repeated under David Steel.

In 1976, he became party chairman, a post he held for a three-year period which embraced the Lib-Lab pact. He has no regrets about that arrangement - "we learned a great deal about government and showed the country we had a positive contribution to make" - and says he would not be opposed to repeating the exercise in times of national crisis.

Lord Tordoff was also chairman of the party's campaign committee in 1979 and 1983, acting as a troubleshooter and providing a link between the leader and the party. Perhaps his greatest strength lies in his ability to feel accurately the

pulse of the party, something which has rarely been more important than now.

He is sure the merger will happen, though the going over the next few months will not be easy. He expects an acceptable compromise over just how far policy issues should be pursued this side of a merger but accepts that matters like defence and the desire for a federal structure for the new party will cause a certain amount of anguish.

But he is anxious that the new party turns outwards to the public as soon as possible. "We cannot waste time in getting across a fresh identity to the electorate. There is a revolution going on, which promises to be much, much more exciting than we ever dared hope."

The question is whether the two parties have the ability to work together and pull off something which has a chance of changing the shape of British politics. I think they have and I think we will."

Spycatcher reading goes silent

LIVE BBC television coverage of the conference was interrupted when Mr Paul Nicholls (Norwich North) began to read an extract from Spycatcher, the book by Mr Peter Wright, the former security service officer.

Mr Nicholls had earlier challenged the BBC in a letter to ignore the Law Lords' decision upholding the Government's injunction against publication of

excerpts from the book. "It will be a sad act of political censorship extending an already impressive injunction still further in its scope to silence the broadcast of a debate of a major democratic political party."

However, as Mr Nicholls, holding aloft a copy of the book, read aloud an extract from page 95, the BBC cut sound transmission on its broadcast to keep

within the terms of the injunction.

Mr Nicholls told delegates that allegations about the activities of some intelligence officers in the 1970s were a legitimate matter for political debate.

A motion calling for the Government to withdraw its injunction was carried with only two votes against.

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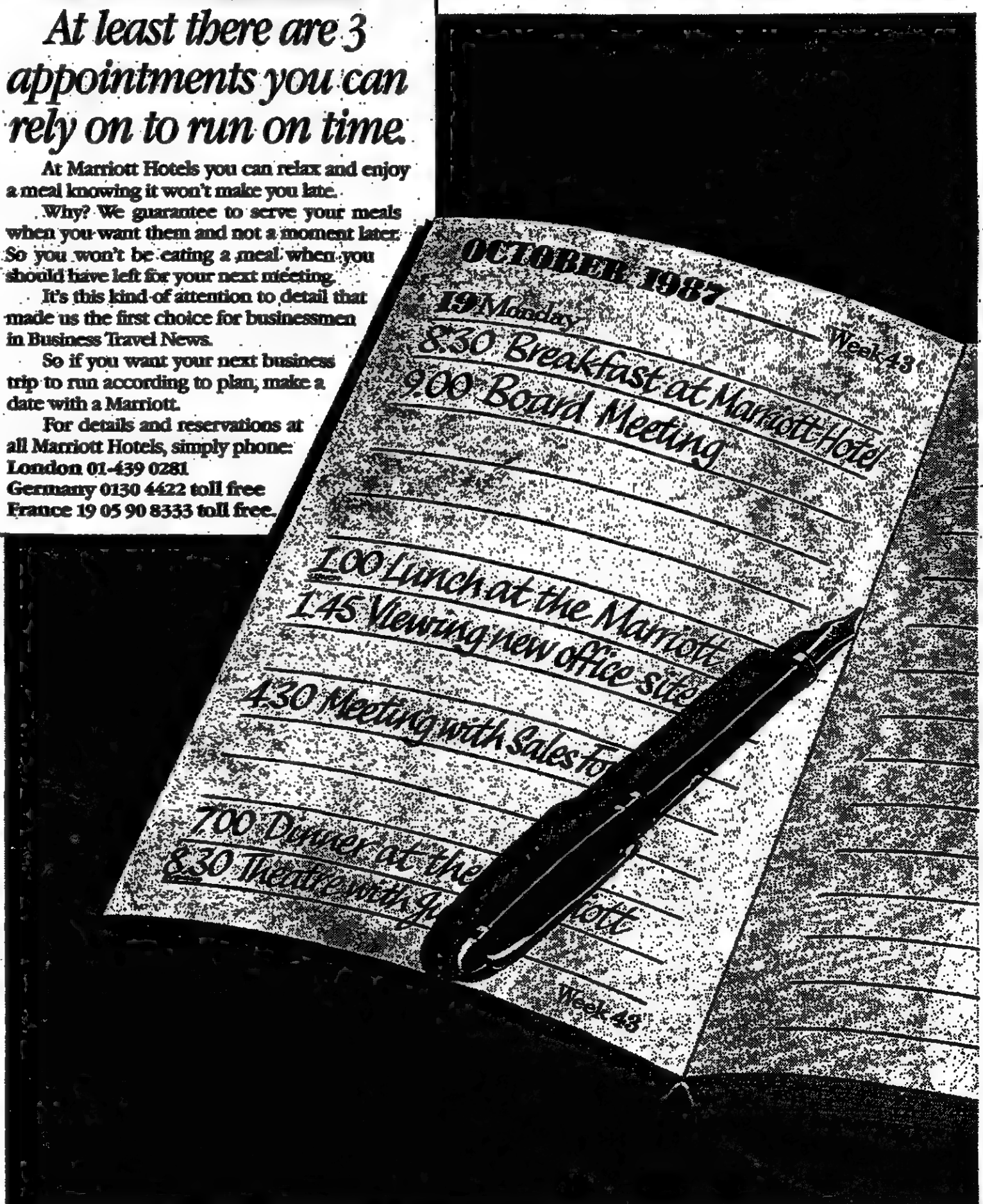
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UK NEWS

City agrees sale of market to developer

By Paul Chesswright, Property Correspondent

THE CITY of London Corporation has agreed to sell the 11-acre site of the historic Spitalfields market to a consortium led by London and Edinburgh Trust.

Neither the City nor the consortium yesterday would specify the price until the contracts are signed. The sale depends on the approval of the full City Council and the agreement of Parliament to move the market to a site bought by the consortium at Temple Mills, three miles away.

The Spitalfields fruit and vegetable market, although owned by the City Corporation, is in the borough of Tower Hamlets and was recently the site chosen by Prince Charles to call for a crusade to rescue deprived inner-city areas.

Redevelopment of Spitalfields and the construction of the new market at Temple Mills, which will cost £24m, could both start in early 1989, provides the bill to relocate the market gains Royal Assent.

Three groups had tendered for the purchase of Spitalfields: ● The winner, Spitalfields Development Group, which comprises London and Edinburgh Trust, Balfour Beatty and County and District Properties, with London and Metropolitan as project manager.

● Rosehaugh Stanhope, which is developing Broadgate, the massive office complex at near-by Liverpool Street station.

● Spitalfields Regeneration Project, a group of architects and consultants put together by Priests Marian Holdings and recently joined by Sir Robert McAlpine, the construction company.

Spitalfields Development Group for three years has consistently made the running on the project. It had hoped a year ago to persuade the City Corporation into a negotiated sale. It had the distinct commercial advantage over its rivals that it had accumulated sites along Bishopsgate which gave the market site a direct opening to the City of London.

The development package Spitalfields Development Group has agreed with the Tower Hamlets planners covers 1.75m sq ft of space, of which 800,000 sq ft is office accommodation. The rest is a mixture of housing, shopping, industrial units, a fashion centre, community centre and law centre.

This is a compromise, which has been controversial locally, between the desire of the planners for more housing and the need of the developers for as large an office area as possible to ensure the financial profitability of the project. At one stage Spitalfields Development Group had proposed 1.27m sq ft of offices.

The consortium claims that the borough's income from rates will rise from £250,000 to £300m a year as a result of the development.

Air traffic disrupted as computer fails

By Michael O'Brien, Aerospace Correspondent

AIR TRAFFIC into and out of London's Heathrow and Gatwick Airports was disrupted for several hours yesterday when software for the main computer at the West Drayton air traffic control centre became unserviceable during the traffic peak.

Some inbound flights were diverted to near Continental airports and outbound traffic was delayed. Air traffic controllers reverted to manual control.

Computer control was restored by about 8 am but there were delays for some time as the backlog of flights was cleared.

The engineers only the previous day called off a work-to-rule dispute with the Civil Aviation Authority over pay and conditions.

The CAA denied that the computer failure had anything to do with the dispute with the engineers. However, it agrees that some of the West Drayton equipment is ageing and liable to faults.

Replacement of the main West Drayton computer is part of a £200m programme now under way to improve air traffic control equipment.

Grants to local authorities to be streamlined

By John Hunt

A STREAMLINED system of paying the annual government grant to local authorities will be introduced when the community charge, the so-called poll tax, comes into force.

Mr Michael Howard, Local Government Minister, told the Association of District Councils conference yesterday.

This was being done so that those paying the charge would be able to receive a simplified annual rate demand giving them full details of any over-spending by their authority.

Mr Howard said: "I believe that accountability is the key to any reform of local government finance. The first priority must be to restore the link between those who vote in local elections, those who use the local services and those who pay for those services."

Mr Howard will soon publish simplified proposals for providing government grants to local authorities. He said these would make community charge bills easier to understand and make very clear the relationship between council spending and the amount levied by a local authority.

The bills would spell out exactly what people should pay if authorities spent at the level the Government considered appropriate. They would show the total cost of local-authority services, the amount of grant going to an area, its share of the bus-

ness rate and the amount of the community charge.

"This means that everyone will see what is really going on in the finances of their local authorities," said Mr Howard. "In that way local authorities will be fully accountable to their electors."

The green paper on poll tax proposals for England and Wales suggested the Government should pay a standard grant, of a fixed amount per adult, to local authorities, and a needs grant, to compensate them for variations in spending.

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Shopping centres policy tightened

By Paul Chesswright, Property Correspondent

THE GOVERNMENT yesterday tightened its policy against the construction of large shopping centres outside urban areas.

It sent a draft circular to local authorities reiterating its stand that such centres have no place in green belts and stressing that they are not acceptable in the open countryside.

The draft circular said exceptions may be made if shopping centres are planned outside urban areas where they reclaim derelict land and where they will have diffuse impact on existing shopping centres. "Such cases are likely to be few," it said.

An example of such a development is Cameron Hall's MetroCentre at Gateshead, Tyne-side.

The Environment Department is inviting comments on the draft circular by November 20. The submissions will then be considered and a definitive circular sent to local authorities.

This would provide the basis of the policy which local authorities would be required to apply when considering planning applications for out-of-town shopping developments.

The Government's move is intended to clarify what many local authority planners, confronted with a rash of planning applications, had seen as a messy policy. Government planning policy is geared towards economic development but it has constraints on environmental grounds.

If the draft becomes definitive it is likely to thwart plans put forward by individual developers for a series of shopping centres along the M26 London orbital motorway.

Yesterday Prudential Corporation started an information campaign to win support for one such plan at Hewitts Farm, near Orpington, Kent.

In another aspect of its retail planning policy, the Government seeks in the draft circular to weed shopping developments into its effort to promote urban regeneration.

The modernisation and refurbishment of town centres, especially where this involves the use of derelict land, is welcome, the draft circular said, but there was an implicit warning to local authorities not to stifle new developments.

The draft circular says: "Only in the case of very large developments, or where several major developments are being considered concurrently, are the effects likely to be so substantial as to raise serious questions about the future of nearby town centres."

Yesterday Prudential Corporation started an information campaign to win support for one such plan at Hewitts Farm, near Orpington, Kent.

In three to four years' time, when British electricity is expected to be packaged for sale, the CEGB's performance in building its first FWR may be clearer. Shareholders - or their board - will then have to decide whether to allow the CEGB's successor to proceed with its plan for about five stations starting with the second at Hinkley Point on the banks of the Severn in the early 1990s.

This will be a decision of strategic importance, particularly in view of the Government's strong commitment to nuclear energy.

For investors, however, the main focus will be the high capital cost - about £1.6bn for Sizewell - the long payback period and the inevitable uncertainties of a new design.

In his exhaustive report on the Sizewell project, Sir Frank Layfield, the planning inspector, judged that it would produce a worthwhile saving in electricity costs over its lifetime compared with an equivalent coal-fired station but this view was based on the assumption that the cost of capital would be 5 per cent a year in real terms and that international coal prices would rise.

Any investor who thought his capital should earn, say, 10 per cent would probably prefer a coal-fired station at half to two-thirds of the price.

From an economic point of view, therefore, it makes little difference whether new nuclear reactors were offered for sale individually or as part of a larger generating company. In either case the private sector investor would have to decide whether to forgo earnings on the capital cost for perhaps a decade or more in the hope of a longer-term benefit.

In view of the big political risks of nuclear power, the private sector would probably want to see a better track record than the UK nuclear industry can provide so far.

In the face of this uncertainty, the Government has three options. The first would be to keep nuclear power in the public sector. The second would be to frame regulations to allow electricity companies to pass on some of the capital costs of nuclear stations to consumers via electricity prices, during the building phase. The third would be special subsidies or favourable tax treatment of nuclear projects.

These ideas would all weaken the effects of a free market in electricity. A state-owned nuclear company would dominate the industry's capital plans. No private sector company would dare build a coal-fired plant in direct competition because whatever it cost to build, the nuclear plant would have much lower marginal costs and would be run in preference to a coal station at off-peak times.

Any arrangement which allowed the preferential recovery of nuclear capital costs, would be difficult to devise and would run counter to the hope that privatisation will make the industry more responsive to wider economic forces. That leaves subsidies, which would be the most open way of promoting a political priority, but would not be popular with the Government.

In spite of these difficulties, it would be a mistake to believe that private sector electricity companies are inevitably antipathetic to nuclear power.

Privately-owned utilities in Japan have ambitious nuclear plans. Even in the US, where no nuclear plant has been proceeding since 1973, most existing reactors were built and operated by the private sector. Many observers believe that when the economics of power generation swings back in favour of nuclear power, US utilities will start ordering again.

The private sector could prove to be keenly interested in nuclear power, but a lot tougher with its financial tests.

Unemployment total falls to 2.8m

By Philip Stephens, Economics Correspondent

BRITAIN'S official unemployment total, seasonally adjusted and excluding school-leavers, fell by 43,300 in August to stand at 2,833,000, the Employment Department said yesterday.

That took the decline in the past year to 376,000, which the department said, was the largest on record. The total has been falling consistently since June 1986, and government statisticians showed the latest monthly decline is close to the underlying trend.

The official jobs total, however, is still 1.7m higher than when the Conservatives took office in 1979. That increase is considerably more if changes in the compilation of statistics and the expansion of special job measures are taken into account.

The improving trend in the labour market has been fairly evenly spread between regions in the last year, with only Scotland and Northern Ireland recording falls in their jobless rates of less than one percentage point. The biggest gains have been made in the West Midlands and in the south-west.

Large regional disparities remain, however, with an unemployment rate of 14.1 per cent in the north of England compared with a rate of 7.2 per cent in the south-east. In spite of the fall in the past year, the West Midlands still has a jobless rate of 11.3 per cent against a national average of 10.2 per cent.

Separate figures for employment show a surprising drop of 17,000 in the number of jobs in manufacturing in July. Officials believe, however, that the figure is erratic and point out that if the latest three months are taken together employment in manufacturing was stable. That compares with an average monthly fall of 4,000 in the previous three months.

In the last few months has been reflected in strong gains in productivity, which in turn have offset some of the impact of buoyant earnings on unit costs.

Mr Nigel Lawson, the Chancellor, said yesterday that the current account deficit for the first half of 1987 was in surplus for the first time since 1981.

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Merger discussed by two more City solicitors

By Hazel Duffy

DURRANT PIESSE, solicitor, yesterday confirmed it was discussing a merger with Lovell White & King. Talks have gone on for several months. A deal may have the consent of partners from both City firms by the month's end.

Durrant Piesse, formed by merger in the early 1970s, has grown fast in the past few years. It has 32 partners and specialist legal divisions in banking, financial services and litigation, as well as property and commercial divisions. It was the first British firm of solicitors to open a branch in China.

Lovell White & King has 68 partners. It ranks at the lower end of the City's top 10 firms. Its

interest in Durrant Piesse is probably in adding banking and financial expertise to its range of legal services.

A growing trend to mergers of City solicitors emerged after Clifford Chances was formed from the union of Clifford Turner and Coward Chance this year.

Deregulation of financial services was a factor causing solicitors to search to see how they could satisfy demand for services. At the same time the City is increasingly demanding highly-specialist legal expertise.

The position is complicated by the shortage, emerging in the past three years, of good graduates entering the profession.

combined capacity of 3,500 (1 Gigawatt, 1,000 Mw) will gradually be phased out over the next 15 years. Since they are cheap to run the only question for a potential investor is how long the safety inspectors would allow them to keep going. An extra five years' life could yield a total benefit of about £1.5bn, two and a half times the industry's after-tax profit for last year.

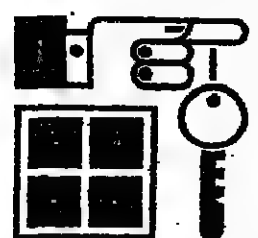
The judgment of safety experts having such a large potential impact on the industry's profits is bound to focus investors' attention on the plans for new investment in nuclear power, particularly in view of the continuing problems in commissioning the latest of the advanced gas-cooled reactors at Dungeness B, Harlepool and Heysham 1.

Largely because of these commissioning problems, the Central Electricity Generating Board is building its first Pressurised Water Reactor at Sizewell in Suffolk. This is based on an extensively modified licence from Westinghouse of the US.

The experience of Electricite de France shows that PWRs of this type can be built on time and commissioned rapidly.

However, the British nuclear industry has yet to prove it can emulate the performance in France, where 44 nuclear stations are producing about 70 per cent of domestic electricity needs as well as an increasing volume of cheap exports.

FINANCIAL TIMES SURVEY



Confidence has returned to the UK market for office property in many parts of the country, led by an upsurge in central London rents and demand from the financial services sector in particular. New types of premises are becoming available in response to the search for cleaner, greener environments and changes in planning rules. Paul Cheeseright reports.

The chase for space

CONFIDENCE HAS seeped through the different layers of the national office property market as growing demand has pushed rents higher and has over-supply outside London has been taken up.

But the market itself is changing as the demands of tenants become more exacting. Accommodation costs generally have continued to increase and there is a growing insistence among occupiers on value for money.

At the same time, new types of premises are becoming available from the growth of business parks as a response to a search for cleaner and greener environments and from changes to the Use Classes Order, which, under planning legislation, specifies the use to which buildings may be put.

But the fact remains that the market can be split into central London and the rest of the country. The greater part of institutional investment in offices is concentrated on London and it is in the centre that the most dramatic deals have been struck and developments undertaken.

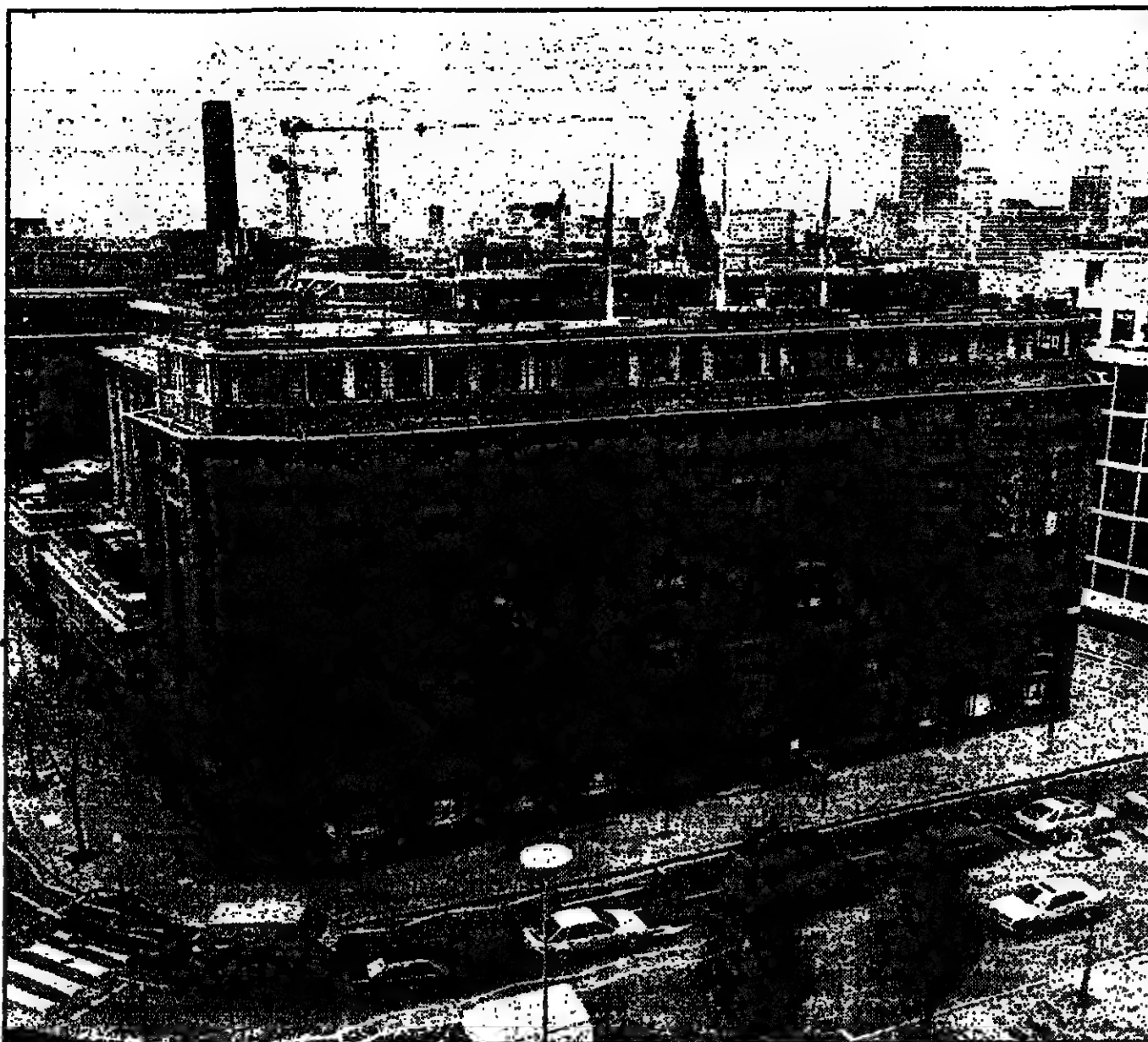
The mainspring has been the growth of the financial services industry which has created demand both from the players in the game and those who support them - the lawyers, accountants and so on.

This growth, however, has spread out into the regions as the financial institutions have set up new branches and moved their back offices out of London.

Even in the fevered atmosphere of central London though, the development market has at least three strata. An apparently insatiable demand for space has sent potential occupiers chasing a still limited supply of new buildings coming on to the market, so that the pre-letting of large new premises has almost become a norm.

The planning authorities - more so in the City of London than Westminster - have responded to the demand by granting planning consents which, if they are followed through, could result in a better equilibrium between space supply and demand by the early 1990s.

A massive expansion of space is taking place in the City itself.



Bracken House, home of the Financial Times for the past 27 years, which has just been sold to Ohtayashi of Japan for £143m.

Office Property

And its boundaries are being pushed out as offices sprout south of the River Thames and in London Docklands, where the Canary Wharf project is now assured by the arrival of Olympia & York and where new developments in the Royal Docks are only just over the horizon.

It is at this stage that the three strata become apparent. The chase for space by potential occupiers has sent developers scurrying to buy sites so that they can meet it. Land values have been chased upwards.

The highest stratum is rarified, occupied only by Japanese companies who have seemed prepared to pay almost any price for the sites they want. Ohtayashi, with its purchase of Bracken House, the Financial Times Building, for £143m, fits into this category. It is significant that the underbidder was willing only to pay less than £100m.

The second and middle stratum is occupied, again, by Japanese companies but also by foreign banks, as owner occupiers, who are prepared to pay very high prices to obtain the buildings and sites they require.

They would tend to work within the same financial framework as British developers - they would do the same sort of sums on the economics of a project - but they would apply different criteria. That is, what looks expensive in London may well appear to be cheap by Tokyo standards.

The third stratum is filled largely with British developers, forced now to compete with foreign interests but having at the same time to keep a wary eye on their balance sheets. They would be the victims a downturn in the market: a heavy debt burden to service and an unlet expensive building is something they would devoutly wish to avoid.

Operators in all three strata have been helped by the ready availability of finance. A distinct characteristic of the market has been the readiness of the international banking community to put up short to medium term money to cover development costs, in a growing array of sophisticated instruments.

The greater part of the development taking place, outside the owner occupier sector, is in the hands of property investment companies. But the property investing institutions have also remained in the market for the buildings put up by developer-traders.

Indeed, the proportion by capital value of City of London offices in the average institutional office property portfolio increased to 35.8 per cent by the end of last year from 25.3 per cent in 1980, according to analysis by the Investment Property Databank.

Only 15 per cent of institutional office investment is outside the South East and this is one factor behind the relatively sluggish office development market over the rest of the country. But this could change. There is some evidence that investment interest is creeping southwards.

Hitherto fears that it would be difficult to sell on speculative office developments has held back speculative ventures, especially against a background of relatively low rents.

But strengthening demand and the absorption of over-supply, which in some centres had been shrouding the market, has been pushing up rentals, opening up the possibility of higher returns to developers and hence the possibility of new ventures.

In the areas around London rents have been rising quickly as companies have eschewed the expense of the centre and have been more willing to look at peripheral locations. Although areas like the Thames Valley have always been popular, the office growth, aided by better roads communications, has begun to move eastwards and southwards, towards the M1 and M11 corridors and towards Southampton.

Elsewhere in the country, extra demand has frequently come from companies seeking larger premises rather than from the arrival of new companies. Such indigenous growth has itself been a response to movements in the economy at large.

But it has also been a response to the changing needs of tenants. A recent report by Healey and Baker, surveyors, on the basis of a survey of office tenants, significantly showed that in the south 61 per cent of tenants would pay more for better designed accommodation if they could find it. In the Midlands 57 per cent would pay more and in the North 42 per cent.

Implicit in the results of this survey is a challenge to the office developers and a warning that it may not be much use in the future putting up any old building and assuming that it will be leased, provided it is in a convenient location.

It is noteworthy that in Glasgow, for example, that the office market has not strengthened as much as it might have done because companies are tending to stay put: there simply have not been the new high standard developments available for them to move into.

Facilities, design and convenience may become as important as being in a traditionally prestigious location. Behind this is a growing consciousness among employers that losses of efficiency can be caused by so-called building sickness.

This sickness is a condition of physical malaise - headaches, runny noses and so on - that are present among some occupants of a building but which disappear when they are not in it.

It is an emotive subject. But, at the end of the day, it is associated with the fact that in some buildings, the air conditioning does not work properly, there is a lack of individual control of the immediate environment and the physical surroundings are perceived to be unfriendly.

There is then a call for higher standards of design and a better working environment. One response to this need has been the expansion of out-of-town business parks and campus offices. So far this phenomenon, an extension of the US experience, has largely been confined to the south and has not spread further north than Birmingham.

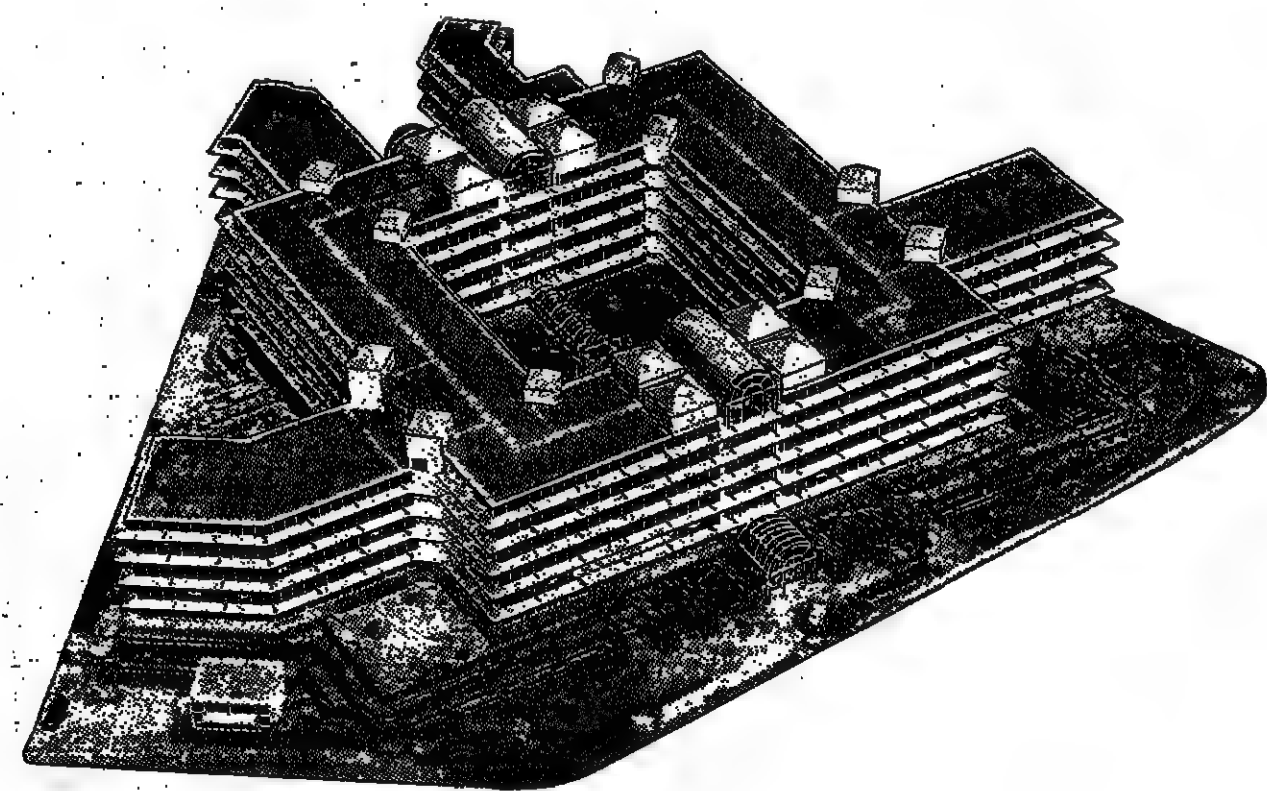
With the greater flexibility that the Government has permitted in the use of buildings, by changing the Use Classes Order, light industrial and high tech buildings can be used for offices without the need to obtain planning permission. It seems likely that the parks first designed for high tech industry could become increasingly popular office locations.

All of this points to a sector on the move. But, historically, the sector has been notoriously cyclical, moving from boom to bust and back again. The boom now is based on London. Elsewhere the cyclical movement is gentler. But there at least a few people in the industry wondering when the next turning point will come.

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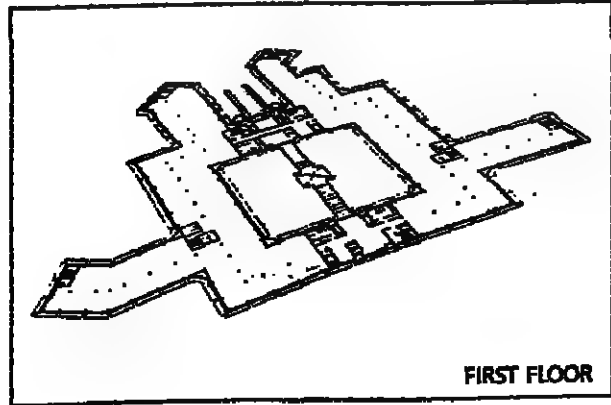
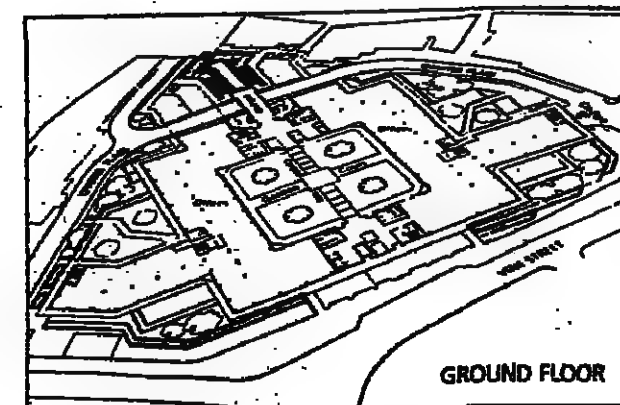
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OFFICE PROPERTY 2

Design and development

US methods speed construction

WHEN INTERNATIONAL property giants Olympia and York took over the £3bn Canary Wharf project in London's Docklands from its original banker backers on 17 July, the uncertainties which accompany major changes of this kind soon gave way to a measure of relief. The Canadian company, owned by the three Reichmann brothers, has a reputation for soundness and for 'delivering' which bodes well for a development which earlier this year was beginning to look doubtful.

"We never make promises we cannot keep and we do not take on projects unless we are sure we can do them well and on time", Paul Reichmann said on the morning of the day the master building agreement was finally signed. He went on to say that O & Y would probably complete Canary Wharf in 5-7 years, rather than the 10-15 year period previously envisaged. Certainly O & Y's track record indicates their capacity to do this: they have several management and background advantages as well. Firstly, the brothers began as importers of supplies to the building industry, and indeed one of them still runs that side of the business. This gives them an important understanding of the construction side of development which others lack.

Being a private company run by very private men, they also rely first and foremost on an in-house team, headed by project manager Michael Dennis and Ron Soskolne, who is in charge of the architectural side.

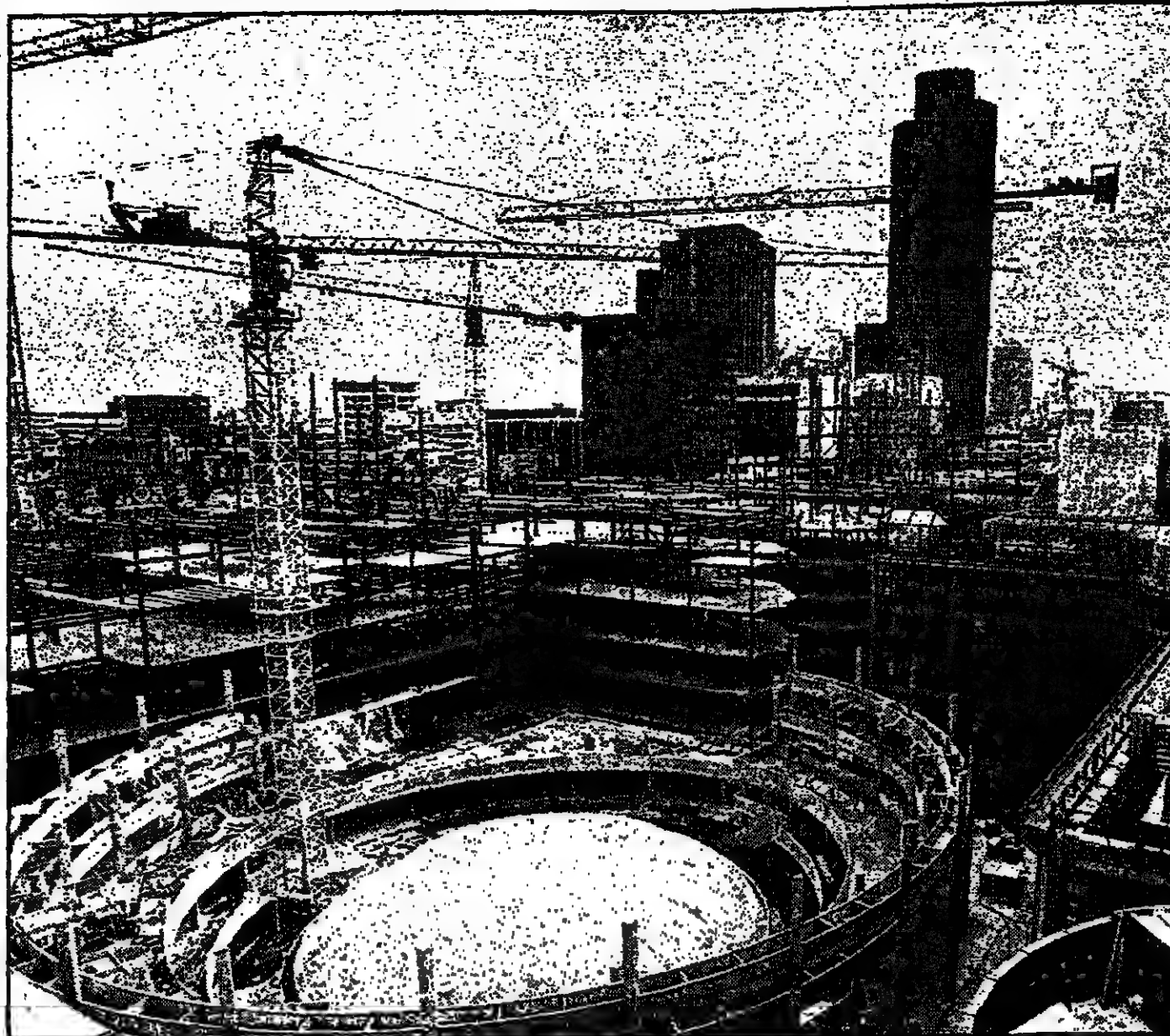
O & Y's approach to architecture is guided by past experience of dating and early obsolescence of the innovative designs of yesterday. American Ware Travelstead, whose ideas for Canary Wharf were, in effect, a showcase of the best in the architecture of the late 1980s. To this end he planned to commission the top names in world architecture to create individual masterpieces to slot in the overall masterplan.

The Reichmanns also believe in architectural quality, as much for pride as for profit. But as they retain overall management responsibilities for their properties, other considerations must be taken into account. According to Ron Soskolne, O & Y are looking for buildings which can be leased and maintained - for decades to come. For this, the design must be 'timeless' and flexible. Terms like 'modern' and 'contemporary' are also behind greater use of expensive but hard-wearing materials like marble and copper.

O & Y's favourite way of achieving the quality of design they require is by holding limited competition. For this, they include young practices which are talent spotted by the company, get between two and eight weeks and between \$10,000 and \$20,000 to produce designs - but not fancy models and drawings. For this, they include young practices which are talent spotted by the company, get between two and eight weeks and between \$10,000 and \$20,000 to produce designs - but not fancy models and drawings.

It was just such a competition which yielded the Cesar Pelli designs for Manhattan's World Trade Centre. Pelli had impressed Ron Soskolne with his work on a competition in Los Angeles in 1980.

Having selected an inspired and time and trouble are saved if seeking early occupation for their post-Big Bang London



The Broadgate project where American 'fast track' building methods have been responsible for an astonishing speed of construction.

solely for the aesthetics of the project, while other can speed matters through the working drawing, contract document and construction phases.

Happily, Britain will not have to wait for O & Y to arrive and demonstrate faster construction methods. A Reading University study in 1979 found that UK projects took an average 70 per cent longer to build than American counterparts - but since then much has changed. 'Fast track' building methods from across the Atlantic have been taken on board by the industry and have already accounted for the astonishing speed of construction projects like Broadgate.

The principle is to bring the contractor on site early, well before design work is complete, to advise on 'buildability'. The project teams then work together, with much less of the traditional inter-professional infighting, and the building programme is based on the logic of the development rather than on traditional, sequential lines.

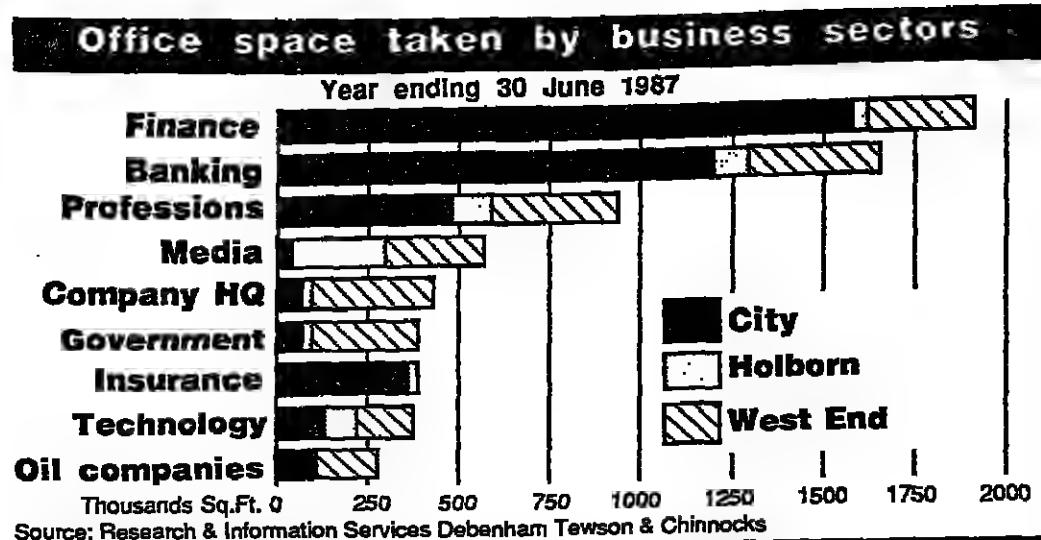
According to Simon Kolesar of quantity surveyors, E.C. Harris, the stimulus to adopt faster building methods came from American financial houses, time and trouble are saved if seeking early occupation for their post-Big Bang London

trading requirements. Speed was aided by early pre-ordering and off-site pre-fabrication of components, so that once the contractor arrives on site, he can work as quickly as possible.

"Two or even three-shift working is also usually necessary", Kolesar says, "and the client will probably end up paying more in wages - but the project overall will be cheaper and ready to let earlier. Fast track, especially with penalties for late completion, concentrates the mind wonderfully, as Ken Patton, regional director of Rush & Tompkins, readily admits. "When working on the 215m Metrocentre in Gateshead, we had to adopt a flexible approach throughout the contract period. For the client, Ca-

shell of a building and is responsible for the fitting out. This too is a fresh challenge to the UK industry, he says. "Typically, the developer's project may cost £2m - but the tenant's fitting out could cost £2m or more. The shift in emphasis of responsibilities is obvious, and so is the responsibility of the industry to minimise confusion. The developer's contract must provide for early access for the tenant's fitting-out contractors. The deal established between developer and tenant must reflect current market conditions and the overall project manager may well hold the key to ensuring that benefits at all times outweigh the inconvenience."

Miles Bar-Hillel



West End/Suburbs

A wave of relocations

WHILE ALL EYES were concentrating on the epic mystery of whether the City would be siphoned into Docklands, impatient financial groups were quietly slipping out in the opposite direction. Some took a short hop, helping to transform the no-man's-land of Holborn and Fleet Street into another boom town.

Goldman Sachs and Morgan Guaranty moved into the old newspaper district while the sites were still warm. Peat Marwick and Coopers & Lybrand sided in nearby and Nikko looks set to replace News International.

Rents have soared to £36 a sq ft and should hit £45 by the end of the decade, according to agents Richard Ellis, with sites like Holborn Station and Robert Maxwell's Holborn Circus set for high powered bids from groups still looking for space.

But the exodus has not stopped here. The wave of relocation has washed as far west as Victoria as tenants search desperately for bigger modern buildings. And this fervour has helped raise the whole West End to record rent levels.

A quarter of all the finance and banking lettings in central London over the last year were in the West End, according to Debenham Tewson & Chinnocks. This included a third of the big buildings more usually associated with City fringes like Broadgate and London Bridge City.

Only a couple of years ago, Salomon Brothers shocked the market by taking Greycoat's 200,000 sq ft over Victoria Station, breaking the pattern of locating near the City. Now banks are dotted all along unlikely locations like Victoria Street and The Strand.

Salomon's £19 a sq ft is looking increasingly cheap as First Bank of Boston and Nikko Securities have agreed rents up to £2.50 a sq ft for two buildings totalling 125,000 sq ft on Victoria Street.

Cynics still believe these banks will move back into the City as space comes free. But of the eight groups that have moved in during the last year, only two are building alternative homes elsewhere, according to Jones Lang Wootton.

Salomon certainly seems set to expand in Victoria, as it looks for 125,000 sq ft out towards the M25 to relocate its Mortgage Corporation.

But for all the financial pyrotechnics, traditional tenants remain the West End's lifeblood, taking up something like 80 per cent of the space let this year. The booming economy rather than the Big Bang have boosted their fortunes, pushing rents in Mayfair and St James' up by about a third in 1987 to more than £45 a sq ft for small suites and over £20 for larger

space. The pre letting in King Street of 30,000 sq. ft. to Inchcape at £41 a sq ft reflects the same tendency of tenants to get in while they see space free. The situation can only get tighter, according to Richard Ellis, which sees 4.5 m sq ft in demand over the next 18 months but less than 2m sq. ft. available today and another 1.4m sq. ft. coming on stream next year.

Rapid rent rises are pushing companies out further to find new space says J.L.W. This has in turn raised values in places like Kensington, where the £18.50 paid by the Daily Mail for Barkers store last year is already at least £2.50 below the going rate.

West London has become an extension of the growth axis from the City through the West End and out as far as the M25 and Heathrow. It will not be long before the £20 rent barrier is broken, as Sun Alliance has already let 86,000 sq ft to Cadbury Schweppes in Uxbridge for £19 a sq ft and Kodak has taken a 55,000 sq ft refurbished block in Epsom for £17 a sq ft.

In fact, the healthy London economy is improving demand right across the capital, with many suburban centres like Croydon, Harrow and Bromley seeing their first rent hikes for some time as the final vestiges of surplus office space disappear.

David Lawson

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OFFICE PROPERTY 4

The occupiers

The right space in the right place

THE OFFICE market in London and the south east of England is booming. Record take up levels, fuelled by unprecedented demand in the post Big Bang era, are resulting in shortages of accommodation in most sectors.

New development and refurbishment has reached an extraordinary rate as developers desperately struggle to catch up with the market.

The dramatic increases in office rents which have resulted from the shortage of space and the continued growth of other occupation costs have done little to cool the ardour of occupiers for more and more space and commentators report that for most large occupiers rent is a minor consideration.

Rents of £50 a sq ft plus are rumoured to be achievable in the best locations in the City of London, rents in prime West End stand at £45 a sq ft and in Victoria £33-£35 a sq ft is the norm.

In favoured business locations elsewhere in the south east rents of £11-£19 per sq ft are paid for new space in prime sites.

According to a recent report from agents Richard Ellis total occupation costs in the City are now estimated to be around £75 a sq ft, and in the London's West End £80-£120 a sq ft.

But, for many companies currently seeking office space this is the least of their problems. Space is in such short supply that just getting the right building (in terms of specification and design) in a location in which they can do business is more important, says Jones Lang Wootton's Michael Dow.

Companies are not greatly diverted from their purpose by even very large rents, he comments.

Design is an increasingly important factor for occupiers. A recent survey from Healey & Baker showed that 55 per cent of office tenants in the UK would be willing to pay more for a better designed building. In the south the figure was 61 per cent.

Out of London rent and occupation costs are considered after design and location alongside a number of other factors including shopping and leisure facilities, communications, environment, availability of young labour force and schools.

Similarly, the financial services sector which is making most of the running in central London's busy office market at



BOC's own advanced glass-coating technology has been extensively used in its purpose built head office at Windlesham in Surrey. Around 200 people work in the building which is set in 50 acres

present is far from rent sensitive.

Urgency has added a further dimension to the problems of securing the right space in the right place as these companies seek to set up new operations to tap new openings as quickly as possible.

These three criteria have practically overridden all cost considerations for companies from this sector.

Other occupiers seem equally unperturbed by rental levels. Before marketing the 250,000 sq ft of offices at Chelsea Harbour, Jones Lang Wootton researched the impact of rent on the decision making process of occupiers in the design field.

The agents discovered that, within certain bands, the occupiers are willing to pay whatever is necessary to get the space they want in the place they want it.

But, the current situation may not last. Some commentators warn that occupiers are becoming increasingly concerned about the high costs of their office accommodation.

While rents have escalated, other occupation costs have risen less dramatically. Service charges have remained relatively stable for a number of years. Indeed, the proportion of

total occupation cost taken up by service charges has actually fallen yet occupiers are already aware of the potential savings to be made from efficient buildings and their effective management.

The success of Jones Lang Wootton's recently established Facilities Management department is proof of this trend. In contrast to an agent's traditional role of management for landlords, JLV are now offering a management service for tenants aimed at minimising costs.

A number of factors are likely to combine to ensure that rent becomes a far more important factor in the office market of the future. Firstly, in central London, the financial world has become more competitive since deregulation of the City, commissions have been slashed and there has already been witnessed the withdrawal of certain operators from specific financial markets.

Further rationalisation looks certain. Under increasing pressure to perform many financial companies will inevitably begin to scrutinise their overheads. Other sectors will follow.

The result may be a further upheaval in the property world as firms seek to reduce their ex-

penditure on property. The largest corporations may seek to move their support functions out of central London, while smaller companies contemplate wholesale relocation.

Secondly, when the new rental levels work their way through to rent reviews, existing occupiers will face significant hikes in their rent bills, prompting a number of companies to look for less expensive locations or accommodation.

This trend may have started already. Unconfirmed reports suggest, for example, that Laporte Industries' recent decision to leave its Hanover House headquarters on Oxford Street has been prompted by a rent review.

Laporte will move to a refurbished office building on its manufacturing site in Luton early next year.

The problems of rising rental levels and service charges could, however, be overshadowed by the forthcoming changes in the rating system. Occupiers are viewing with trepidation the commercial rate revaluation and the introduction of the Uniform Business rate in April 1990.

So much uncertainty still surrounds these two aspects of the Government's rate reform poli-

cy that it is impossible to predict the impact they will have on office property. It is feared that the new system could significantly disrupt the balance between office locations and types.

Certainly, the City of London is concerned about the effect the new level of rates might have on its standing as a major international financial centre. The City Corporation is lobbying the Government for more information.

Rates on some City buildings could more than double, an increase which could not fall to have an impact on occupiers who do not need to be in the area.

In general, according to Michael Capon, a ratings expert at Edward Erdman, tenants of offices that have not been refurbished are likely to see reduced rates burdens while modern offices and good refurbishments may well see increases.

One would expect a period of low inflation and high profitability to engender a trend towards owner occupation. But, in spite of strong demand from potential owner occupiers, the lack of opportunities is restricting the growth of this market.

Increasingly owner occupiers want more specialist buildings than are provided by speculative developers and as a result the market in the last two years has been dominated by demand for sites and redevelopment opportunities for purpose built offices for owner occupation rather than purchases of existing buildings.

A number of major deals have been concluded in central London, for example, including Morgan Guaranty's decision to pay more than £50m for the two acre City of London School site in EC4 where consent has been

given for over 400,000 sq ft of space; and Goldman Sachs purchase of the former Daily Telegraph building on Fleet Street, EC4, which is to be redeveloped to provide 300,000 sq ft plus.

A number of other financial occupiers are known to be looking for an equity stake in new buildings for their own occupation.

Meanwhile, a handful of major companies have decentralised from London to purpose-built owner occupied buildings in the provinces, such as Sun Life of Canada which moved to a 150,000 sq ft building in Basingstoke last year and Chase Manhattan, whose 400,000 sq ft Bournemouth headquarters complex is under construction.

Other companies, particularly those which need a manufacturing base as well as an headquarters, prefer purpose-built units on the new generation of business parks built along the lines of those in the US. Nixdorf, for example, has paid over £1m an acre for a 15-acre site for its UK headquarters on 'Bride Hall' Postel's Park One scheme in Bracknell.

But, occupiers seeking to acquire sites for purpose-built properties have to compete with developers. In the past the headquarter on 'Bride Hall' Postel's Park One scheme in Bracknell.

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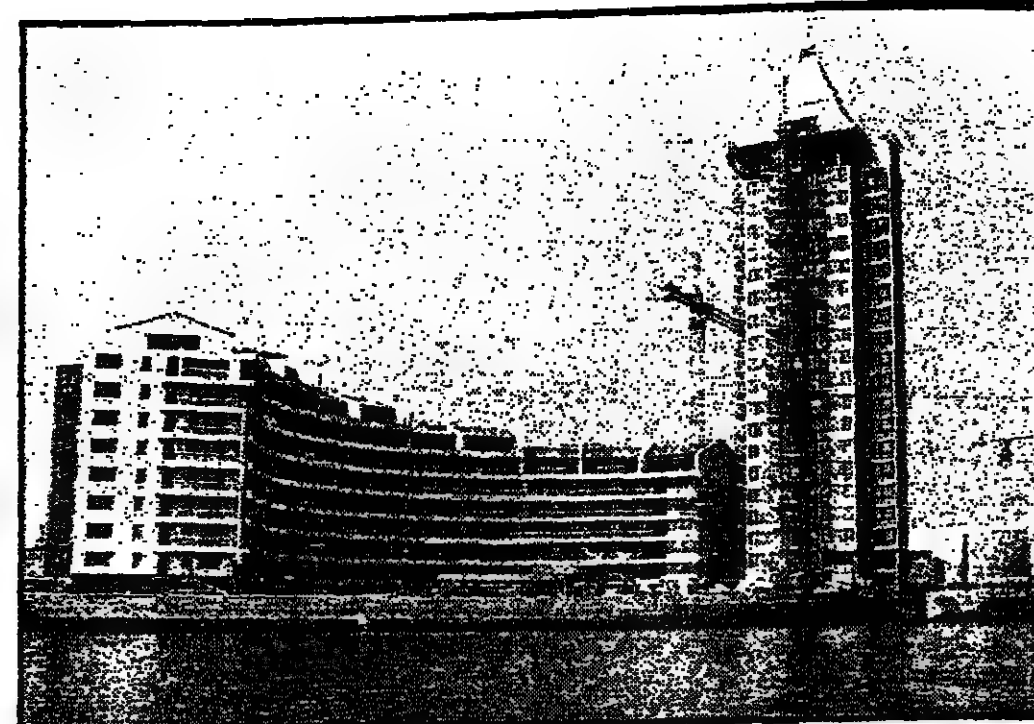
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The 250,000sq ft Chelsea Harbour office development: occupiers will pay whatever is necessary to get the space they want.

Often impractical and expensive, the country house usually comes with restrictions on where and how partitions can be put up and extensions built, outmoded heating and ventilation. In addition they can be miles from anywhere. In spite of being many a managing director's dream, these buildings actually have limited appeal as headquarters although they do make ideal training or management centres.

In general the country house only really works as an headquarters if it can form the centrepiece of a larger 'office campus' type development of new buildings, such as Monsanto's 80,000 sq ft facility in Basingstoke (where the house itself provides just 12,000 sq ft of executive accommodation) which was built some years ago. It is, however, usually difficult to get planning consent for any development in the vicinity of the house.

The flip side of the high level of demand for long term commitment to bricks and mortar is a growing requirement for shorter leases. The flexibility and control afforded to occupiers by five rather than 25 year leases makes them attractive to all tenants, but particularly to overseas companies (because it suits their tax system) and fledgling businesses.

There is also demand for short term agreements from occupiers which, unable to get what they want now, have taken one of the increasingly common pretexts and need to be accommodated until their new building is finished.

Jill North of Hillier Parker's City office identifies two buildings Winchester House, London Wall, and Gillette House on Basinghall Street, which are currently occupied on short leases by tenants signed up at the massive Broadgate scheme at Liverpool Street Station.

Both of these buildings are currently the subject of planning applications for redevelopment towards active management, shorter leases enable a landlord to revitalise his investment rather than having his return trail towards the end of the lease. According to David Baker of Edward Erdman, landlords are often happy to grant 10-15 year leases, although they still shy away from the 5 years or less often preferred by occupiers. However, while the shortages of space prevail landlords can continue to offer and let properties on standard 25 year leases.

Linda Welch

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OFFICE RENT & RATES Annual review of performance and trends in London and provincial centres.

QUARTERLY FLOORSPACE REPORTS Updated monthly, covering availability and take up in central London.

WEST END OFFICES Review of office development and forecasts of supply conditions.

SOURCES OF DEMAND Structure of demand for London offices.

So, if you want to know about office property, contact the people who know how to advise you.

Further information can be obtained from David Steventon at the address below.

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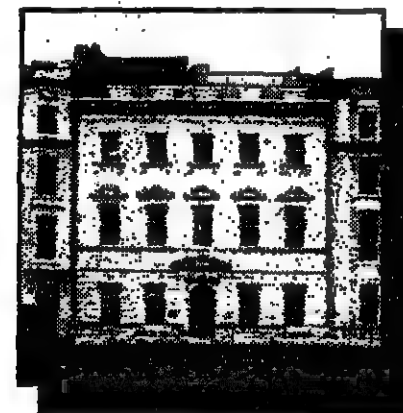
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APPOINTMENTS

British Alcan director of finance

BRITISH ALCAN ALUMINIUM has appointed Mr. S.E.C. Almer as director of finance. He joined Alcan in 1984 and has been responsible for operations in Latin America since 1984. He was also a vice president and board member of Alcan Aluminio do Brasil.

Mr. James Millett, a director of The McCann Consultancy, has set up his own financial PR business, JAMES MILLET ASSOCIATES.

Dr. Ingram Lenton, former chairman of Rowwater Industries, has joined the board of CHAPMAN INDUSTRIES as a non-executive director.

COOPERS & LYBRAND has appointed 25 partners and directors in its offices throughout the UK. Audit: Mr. Chris Appleton (Gourmoult); Mr. John Kerrigan, Mr. Nick Barker and Mr. Alan Pugh (London); Mr. Martin Boddy (Manchester); and Mr. Ed Smith (Exeter). Tax: Mr. Lawrence Niven (Leicester); Mr. John Gwyer (London); and Mr. Nick Hopkin (Norwich). Management consultancy: Mr. Bill Bond, Mr. John Collins, Mr. Richard Sillery, Mr. Russell Muir and Mr. Mike Stinson (strategic services division, London); Mr. Bruce Huckleby (commercial services division, London); Mr. Lynton Barker (government services division, Manchester); Mr. Thomas Cuthill (manufacturing and distribution, Manchester); and Mr. Bob Miller (manufacturing division, Exeter). Business services group: Mr. Jonathan Wadell (Leeds); Mr. Peter Jacobs (also corporate finance support services, London); Mr. John Leonard (Newcastle); Mr. Robert Knight (Reading); and Mr. Paul Singleton (Sheffield). Mr. Andrew Mainz (London legal support), and Mr. Sydney Richardson (director of planning).

Mr. Gwyn Phillips has been appointed financial director of DIX BELGRAVIA in addition to his role as company secretary.

Mr. Harry Towers has been appointed director and general manager of BIGGS WALL (NOVATEC). He was director of European operations of Gelman.

Mr. Peter Jones, previously manufacturing director, has been appointed director and general manager of INGERSOLL LOCKS, part of the Alumnex Group.

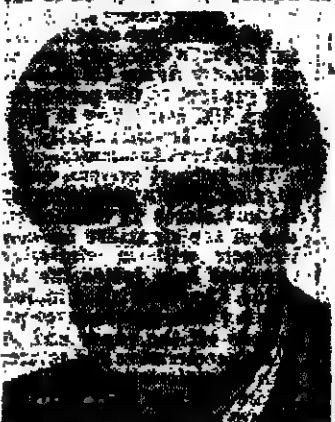
THE ROYAL BANK OF SCOTLAND has appointed Mr. David E. Butterworth as head of credit control, central credit control department, London, in succession to Mr. Colin Kramer who has become head of group risk management. Mr. Butterworth

was assistant chief manager of the bank's Threadneedle Street office.

LLOYDS BANK STOCKHOLDERS has appointed Mr. Robert A.D. Fry as deputy managing director. He was chief executive of Moulton Local Stanley. Lloyds Bank Stockholders is a wholly-owned subsidiary of Lloyds Merchant Bank Holdings.

DUNLOP-REAUTFORT, a BTR Group company, has appointed Mr. Jon Wilson as managing director responsible for both Dunlop Marine Safety, and Dunlop Air-Sea Equipment based in Birkhead. He was director and general manager of Dunlop Graphic products. Mr. Wilson succeeds Mr. Andrew Thompson who has been appointed director - technology services, BTR Europe.

Mr. E.N. Templeton has been appointed group financial controller at TI GROUP. He joined TI



Mr. E.N. Templeton, TI group financial controller

in 1984 as director of management information audit and since early 1986 has been financial director of TI Raleigh. Mr. David Suddens has been appointed chief executive of the clothing division of JOHN CROWTHER GROUP from October 1. He was a director of Courtlaids Textile Group, and chairman of its fabrics division. Mr. Peter Boyd is joining the clothing division as merchandise director. He was with William Baird Group in charge of its Telemac operations (imports from the Far East). Mr. Stephen Lister has joined Crowthers as group financial controller. He was group financial controller and secretary of Sir Swift Industries.

Mr. David Mitchell, chief executive of the Calor Group, has been appointed chairman of sports retailing subsidiary

GRANDSTAND SPORTS & LEISURE (RETAIL). Mr. Robert Spigel, formerly general manager at Grandstand, becomes managing director, and Mr. Brian Wilmet, Calor finance director, joins Grandstand's board.

Mr. Norman Ireland, former finance director of BTE, now chairman of Rowwater Industries and of London and Metropolitan, has been appointed a non-executive director of HILL SAMUEL & CO.

Mr. Derek Kingsbury has become chairman of FAIRY GROUP in addition to his role as group chief executive.

Mr. Richard Meyers has been appointed group finance director of SKETCHLEY and joins the main board. He was secretary/treasurer.

ALEXANDERS ROUSE, international futures and options broker-dealing arm of Alexanders Leasing & Crickshank, has appointed Mr. Alan Eggebro as director of the capital markets division. He was manager of the institutional financial futures division of Bache Securities.

Mr. Shanon Metcalf, a director of County NatWest, has been appointed a non-executive director of McLAUGHLIN & HARVEY.

Mr. David Wheatley, head of expatriate terms and conditions division at Shell, has been appointed to the new post of director of advisory services at EMPLOYMENT CONDITIONS ABROAD. He will be responsible for the development of ECA's consultancy service.

Mr. Pat Barratt has been appointed a non-executive director of PORTER CHADBURN from October 1. He is a managing director with Russell Reynolds.

BERKELEY ST JAMES'S has appointed Mr. Peter Haines as director heading private client funds management. He was with Valmet Asset Management.

STURGE HOLDINGS has interposed Sturge Lloyd's Agencies between itself and the group's Lloyd's underwriting agency companies. The board of the new company consists of: Mr. D.E. Catteridge, Mr. T.P. Houghton, Mr. P.J. Eavilins, Mr. B. Blaney, Mr. P.G. Adams, Mr. A.G. Lee, Mr. R. Houghton, Mr. D.M. Farley, Mr. M.R. Butler, and Mr. A.M. Jones.

Mr. Robert L. Rankerley has been appointed a director of COGA-COLA & SCHWEPPES BEVERAGES with responsibility for personnel and adminis-

tration, a new role. He joins from Pedigree Petfoods.

Mr. T.S. Corrigan has been elected non-executive chairman of GROVE COLOURPRINT. He is chairman of Havelock Europe, and of Havelock Board. He is also a director of Rex Stewart & Associates, and chairman of the Post Office Users' National Council.

Former BICC Citic sales and marketing manager Mr. John Toxmy has been appointed as the new managing director of TELEMAT, the British Telecom/EMAP/Bell Canada owned company which operates Micronet. He replaces Mr. Tom Baird from September 28. Mr. Baird, now general manager of microcomputing products and services in BT's spectrum division, will remain on Telemat's board.

Mr. Nicholas C. Paul has been appointed managing director (designate) of NORGREN MARTONAIR, fluid control subsidiary of IMI. He takes over on October 1 with the retirement of Mr. D.L. Lyon. Mr. Paul is managing director of IMI Yorkshire Fittings.

ASDA-MET Group has seconded Mr. Michael G. Trestrail, the company's group public relations controller, to run a new enterprise agency covering the Yorkshire Dales. He is to become director of the DALES ENTERPRISE AGENCY when it officially opens in November. The agency primarily will be fostering existing and potential small businesses particularly in



Mr. Mike Trestrail, director of the Dales Enterprise Agency

tourism as agriculture-related industries. Developed from the Craven Small Business Association, the new agency will embrace much of the National Park area including Ilkley, Skipton, Settle and Silkeby. It will operate from offices near Skipton which have been donated by Country Holidays.



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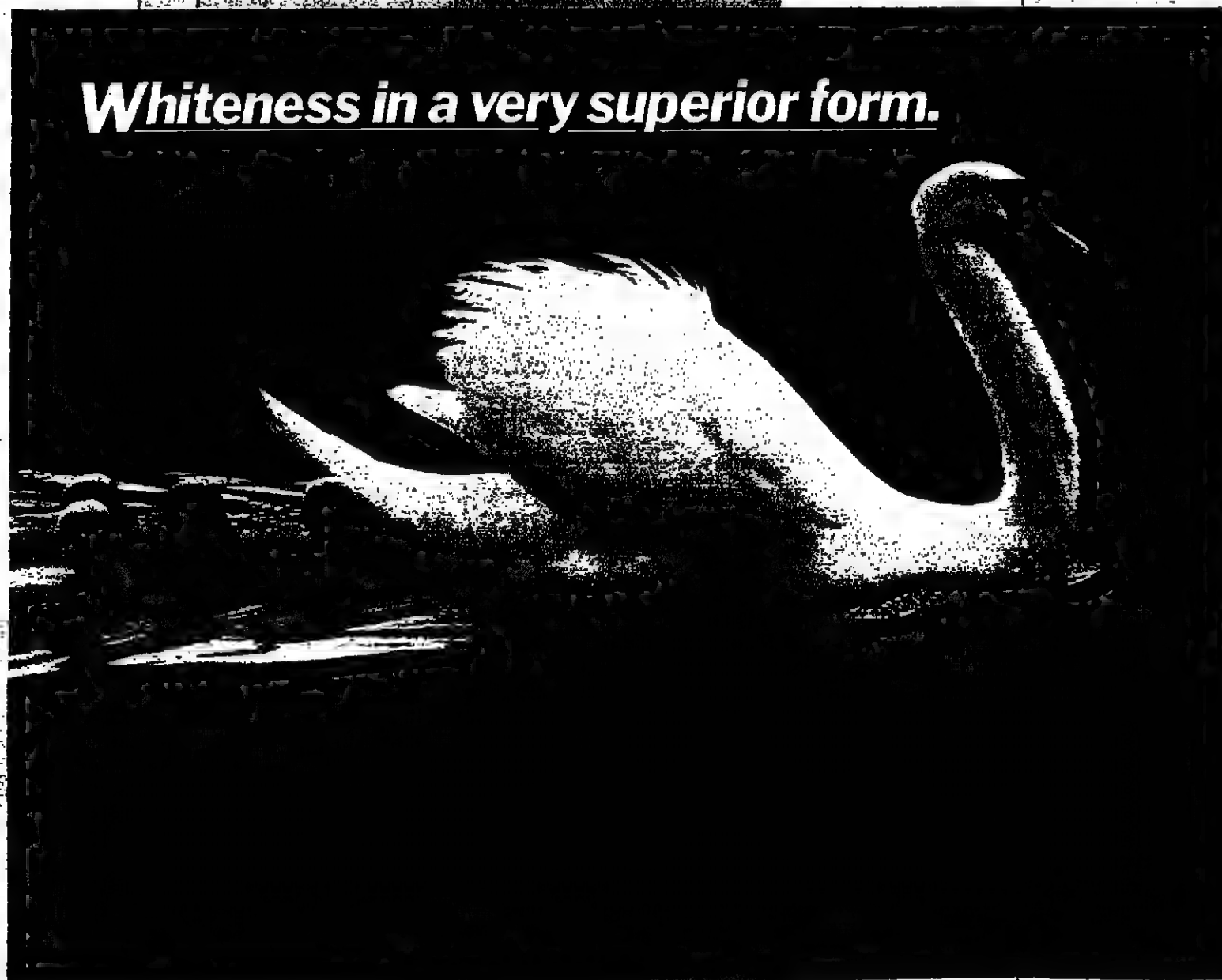
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TECHNOLOGY

A perfect marriage and hang the expense

Peter Marsh examines the benefits of employing a high-cost method of welding dissimilar metals

SOME OF the lorries rumbling around Europe and made by Iveco, the Fiat subsidiary, contain a small but significant technical innovation which improves fuel consumption and reduces engine wear.

This innovative device, created by a precise though expensive method of joining two pieces of dissimilar metals with a very strong bond, owes its success to electron-beam welding.

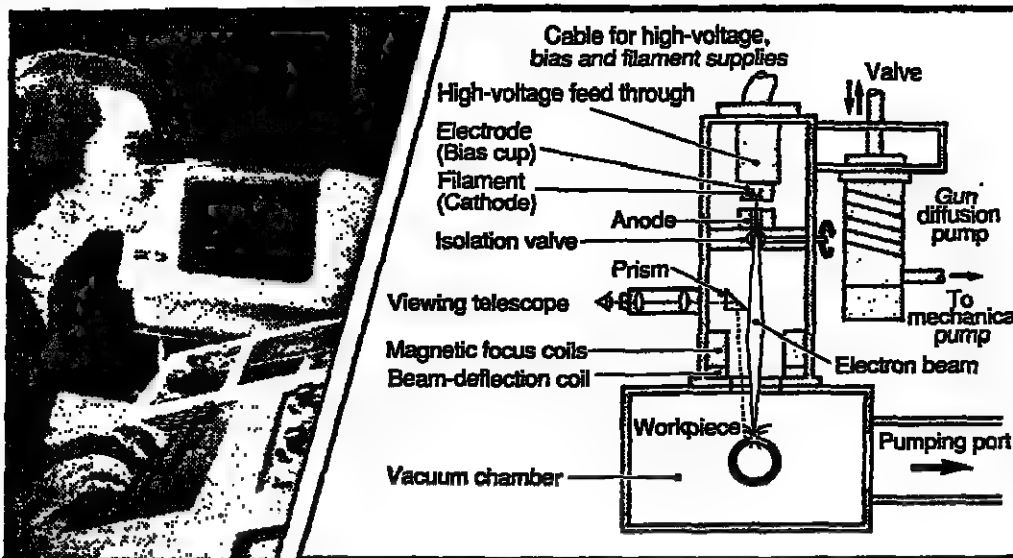
The technique, a spin-off from high-energy physics, is gaining momentum in a variety of industries, particularly in motor vehicles, aerospace and specialised metal goods. Its high cost, however, is keeping the number of users relatively restricted.

In the case of the Iveco trucks, their engines contain small parts known as cam followers which are made of two components - one hollow, the other solid. They are constructed from different types of steel, and the fact that one is hollow reduces the weight of the moving parts in the engines, leading to lower energy losses and less wear.

Berthold, the company in Stuttgart which makes the devices on Iveco's behalf, found the only way it could join the pieces of metal without weakening the finished part was by welding with electron beams, a method producing a deep weld, with only a minute region either side of the joint affected by heat. This minimises the degree to which the metal is weakened.

With electron-beam machines, a weld 1 mm wide can be produced to a depth of up to 20 mm, some 20 times the depth that is available with conventional heat welding - in which horizontal heat dissipation is much greater.

The technique's drawback is its cost. Production of high-energy electron beams - those in welding machines are anything



Computer-controlled electron-beam welding: Minimising the degree to which metals are weakened

up to 150,000 volts - requires expensive and specialised equipment.

Moreover, as electrons cannot exist freely in air, the complete system, including the metal parts to be welded, have to be kept in a vacuum chamber, adding further to costs.

World sales of electron-beam welders, which sell for £50,000 to £500,000 depending on size and sophistication, add up to about £25m a year, estimates David Eccleston, managing director of Wentgate, a UK company based in St Ives Cambridge. Wentgate, part of the Thermal Scientific group, is among the world leaders in the technology.

To sales of the equipment itself should be added the activities of a number of specialised welding job-shops which operate machines on behalf of customers on a sub-contracting basis. Hiring such equipment, for example to weld parts of a turbine blade, can cost £150 to £1,500 a day.

Among the European electron-beam job-shops specialising in aerospace are Sifo Turbine, of the Irish Republic, and Sermatech, based in Britain. They commonly take on repair work from aircraft or engine concerns which - rather than replace an expensive part like a turbine blade that is damaged - find it cheaper to mend broken components, albeit with costly and sophisticated hardware.

Applications of the technology in aerospace are increasing, according to Matt Black, a metallurgical engineer at the gas turbines division of Fokker Hannifin, a specialised engineering company in Cleveland, Ohio. Black, whose company uses electron-beam welding to turn out components for aerospace concerns such as Rolls-Royce, General Electric and Pratt & Whitney, says that the industry's move towards more complex parts, in nozzles for fuel-injection systems for instance, makes the use of such high-precision equipment increasingly necessary.

Use of electron-beam systems is helped by the general trend in which manufacturers of high-value engineering parts are trying to automate as many of their processes as possible. Components can be shuttled in and out of the electron-beam systems using special fixtures which reduce handling costs.

In some cases, suppliers of electron-beam welding equipment, which besides Wentgate, include Leybold Heraeus and Messer Griesheim of West Germany and Sciaky, a US company recently bought by Britain's Ferranti, provide these fixtures as part of a complete automated system controlled by computers.

In the case of Berthold of Stuttgart, the company has bought two electron-beam machines, at a total cost of about £300,000. The company, which besides supplying the Fiat subsidiary makes engine components for Daimler-Benz, BMW, Volvo, Cummins, Volkswagen and Rolls-Royce, has found the investment justified, according

to Peter Pepler, head of research and development at Berthold. He says that electron-beam welding is especially useful when a customer requires a flow of parts of uniformly high quality.

AE, the UK motor parts company owned by T and N, formerly Turner and Newall, is another user of electron-beam welding. It incorporates the technology to add tough segments of metal to sections of pistons, thus reinforcing them against the effects of piston-ring wear.

Chuck Clark, vice president in charge of marketing at Sciaky, the US company, points out that electron-beam systems "are an expensive way to join two pieces of metal; most companies will find other ways of doing it."

It appears, however, that in relatively mundane areas of engineering the technology is beginning to play a part in instances where companies are demanding higher levels of precision welding.

For example, Powerplex Technologies, of Toronto, is using an electron-beam machine to seal the aluminium alloy cases of sodium sulphur cells used in electric vehicles. The system incorporates a computer-driven facility that checks welding quality.

In the UK, Platon, a Reading-based company which makes flow meters, is due to buy a Wentgate machine for specialised welding, while Walter Jones, a company in London, uses the equipment to fix together the pieces of electric motors.

Wentgate has also had success in selling its machines to engineering establishments run by the Indian Government. The Bhabha Atomic Research Centre uses the equipment in research into nuclear reactors, and the Vikram Space Centre, part of India's state-run space organisation, welds together parts of rockets and satellites with electron beams.

WATCHING



Edited by Geoffrey Charlish

Printing with a colourful future

LARGE FORMAT ink-jet printers that can produce full-colour results on paper, cloth, polyester and many other surfaces up to 24in x 48in, have been introduced into the UK by Listland of Hove in Sussex.

Made by Iris Graphics of Stoneham, Massachusetts, the printers will have many applications in the graphics and printing industries where the input is from a computer.

Ink-jet printers work by allowing very small droplets of ink to fall on the printing surface under the direction of an electrostatic field controlled by a computerised image.

There are also likely to be uses where the images produced by computer-aided design (CAD) systems have to be printed in large formats, for example in map making and engineering drawings.

More space made for flights of fancy

FLIGHT SIMULATION company Singson Link-Miles is to expand its UK facilities in Lancashire, by about 50 per cent, to 20,000 square feet.

The space is needed to accommodate work resulting from simulator contracts for civil and military aircraft, tanks and submarines. The company, part of the US Singson group, added 200 new jobs in 1987 and now has a workforce exceeding 1,700.

Dutch take control in the storehouse

QUADTRONICS in The Netherlands is marketing a system for controlling the climates of storehouses where agricultural products are kept, particularly onions, potatoes and flower bulbs.

Called Quad 150, the system uses sensors and a personal computer which is programmed to allow temperature, ventilation and condensation levels to be controlled by a program which the user can decide and easily change from the keyboard.

When necessary, operation of control devices will be carried out from the keyboard, and the system keeps a record of everything that has taken place.

CONTACTS: Listland: UK, 0273 77808; Singson Link-Miles: UK, 0658 77000; Quadtronic: The Netherlands, telex 07000; Alan Leibert Associates: London, 025 3344; BSC Refrigeration Information: London, 027 5040; IBM UK: 0705 00404; NKK: Japan, 7 213 7111.

Low-cost sign of card-holder security

SIGNATURE VERIFICATION equipment, designed in the UK and further developed in the US, is to be offered in Britain at a basic price of £250.

At this price, the system will prove attractive to industries like finance, retailing and security, where confirming that card holders are who they say they are remains a problem.

A cash terminal, for example, senses only that a person holding the right card and knowing the correct identification number is obtaining cash. So far, signature verification, in which the card presenter writes onto an electronic point-of-transaction tablet for computer checking, has tended to be expensive.

Technology Concepts, founded by Professor Martin Healy of Cardiff University, carried out detailed development work for Signify, a company started by Alan Leibert to develop a low-cost version of such a system.

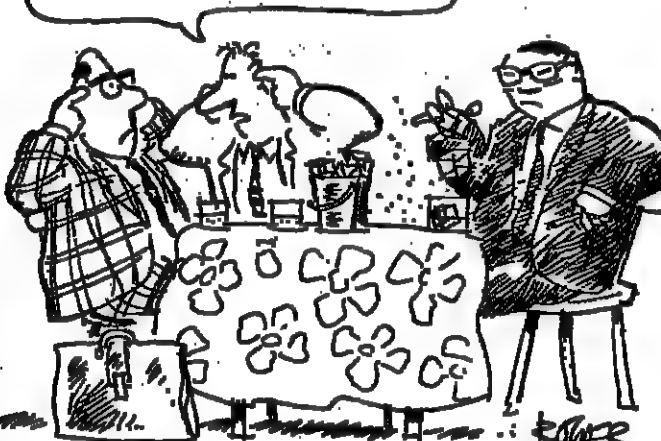
Late in 1985 a US group, McQuorquodale Holdings, bought an 80 per cent interest in Leibert's company and set up Signify in the US to bring the product to the production stage. UK marketing is being handled independently by Alan Leibert Associates.

The Leibert system, called Signify, uses a digitising tablet and stores 12 characteristics of the signature for comparison with a statistical template held inside the machine. Characteristics include writing time, the times the pen spends on the paper and the pen's acceleration and retardation characteristics.

The fact that a person's signature is never quite the same twice is largely overcome by the historical nature of the stored template for each user.

As each variant occurs, it is taken account of in the template. Thus, statistical distributions of the characteristics are built up and the limits of acceptance varied according to the risk considered acceptable.

I THINK IT'S HIS WAY OF TELLING US THE MEETING IS OVER...



Cheers: I'll take mine with ice and earmuffs

IN JAPAN, an ice-engineering team at the Taka Laboratories of Nippon Kohan (NKK) has developed a novel form of ice that makes a crackling sound as it melts in alcoholic drinks. The product is thought to be eminently marketable and has been named Exice.

Exice resulted from observation of some Antarctic ice brought back by an NKK research team. It contained air bubbles that were trapped thousands of years ago. As this

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The new wave at BBC Radio Four

THE BBC Radio Four long-wave transmitters, which for many years have operated at a frequency of 206kHz, are to move to 188kHz in February 1988. This is to comply with a World Administrative Radio Conference (WARC) ruling that longwave stations must be separated by 9kHz.

There may be slightly improved reception in some areas. However, those mainly affected will be industrial concerns that use the transmitter as a frequency standard (it is very accurately controlled by the BBC).

IBM attacks on the publishing front

INTERNATIONAL BUSINESS Machines (IBM) has fired a shot across the bows of desktop publishing equipment companies like Apple and LaserJet. It has announced the IBM Personal Publishing System that will run on the System 2 (model 30-821) personal computer or the PC AT or XT286 machines.

The company says the system will bring a new level of quality to document production, allowing text, graphics and digitised images to be laid out cost-effectively using 42 typesetters in sizes from four to 127 point.

IBM is offering a new high-resolution laser printer, an adaptor card for the PC and the necessary application software. The list prices are, respectively, £1,544, £1,267 and £515.

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You are cordially invited to an overview of a highly innovative SOFTWARE PROTECTION SEMINAR (including a Natural Language Software Demo) by Dr. S. Pal Asja (American Patent Attorney & inventor of the first Software Patent) on September 19, 1987 (Saturday) 9 a.m. to noon (repeat 2-5 p.m. if necessary) at Inn on the Park Ballroom 'A'

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IME RE AT WA

THE PROPERTY MARKET

BY PAUL CHEESERIGHT

MARKET MAKERS for property stocks do not expect the price of Scottish Metropolitan Property to move very much. And they are right. For the last year, the sector has been humming, but ScotMet has moved quietly between 90p and 140p, recently hovering around 130p.

One reason is that the shares are tightly held - Royal Insurance has 20.8 per cent, Guardian Royal Exchange has 14.7 per cent and USF Nominees has 8.7 per cent, while about 70 of the remaining 4,000 shareholders hold the bulk of the rest of the equity.

Another is that the Glasgow-based company seemed to be going through a dormant phase. Nothing much appeared to be happening on the surface and the company kept itself pretty much to itself, respected but lacking vitality. Anyway, five years ago more than 90 per cent of its portfolio was in Scotland.

Even Gordon Milne, the managing director, was prepared to accept for the company the tepid epithet of sleeping giant. Equally, he now accepts the cliché that the sleeping giant is awakening.

Over the last month there has been evidence of a more aggressive approach: purchase of a shopping centre in Leicester, an office development site in Crawley and a business park site along the M4 corridor. The first provides income now, the other two the promise of future revenue.

When the results for the year to August are announced next month, there should be a healthy increase compared with the £7.07m earned prior to 1985-86 and earnings per share of 4.67p, and a rise in the net asset value per share - put at 110.5p last November.

This decade three key things have happened which suggest that a freshly groomed ScotMet is emerging:

The sleeping giant awakens

Over the years we had been very conservative - we were a pure investment company," says Mr Milne. Now the company has an extending development programme and is prepared to trade.

A younger management team has been introduced and this has helped lead the company into putting greater stress on development.

The portfolio has been dramatically pruned. "But we were never in a forced sale position," Mr Milne stresses. In 1978 there were 750 buildings. Now there are 300, and the asset value has doubled to more than £120m.

Revenue from sales has been available to plough back into development, and resources have increased a year ago with a £30m first mortgage debenture stock funds from that

stock have largely been used.

Over the next two years, the total development programme will cost about £50m - not exactly on the scale of Land Securities but substantial compared with the ScotMet performance of a few years back.

Within the next two years, the company will probably have to go to the market for funds. Another debenture is a possibility, depending on what the coupon would have to be. Unless the share price perks up - and given the breakdown of the equity holdings it seems doubtful if it will emerge as a high-flier - a rights issue does not seem on the cards. But a convertible preference share issue might be.

Like any other property company, ScotMet wants the security of adequate long-term funding. Its technique broadly has been to fund its site purchases with long-term finance and its development costs with short-term bank facilities. Its buying policy is cautious. Property in the City of London is ruled out by Mr Milne simply because the numbers are too big. He is a proponent of the adage that profit is made when you buy, not when you sell.

But the development and investment programme is taking ScotMet away from its traditional base. It is no longer a Scottish company, but a British company based in Scotland. The latest investments mean that ScotMet's geographical spread has widened to 70 per cent Scotland and 30 per cent the rest of Britain.

This is a conscious policy which has been developed since ScotMet started to look for expansion. The reason, as Mr Milne explains, is the 10 per cent theory. Scotland has 10 per cent of the land and 10 per cent of the population. It is simply not large enough to satisfy a drive for expansion. There is so much that rental growth has tended to be greater in the south.

Where the company expands is dictated as much by management time as by anything else. In effect, the company is looking for opportunities, an hour's driving time from Heathrow Airport, not only because this is the most prosperous area of the UK but also because if an executive is coming from Glasgow, this area is the easiest to reach.

Investments will remain diversified. Nearly half of the portfolio is in retail property, just over a third in offices and the rest in industrial and high technology. The general drift is to increase the retail at the expense of offices.

Regalian diversifies with the help of a lucky horseshoe

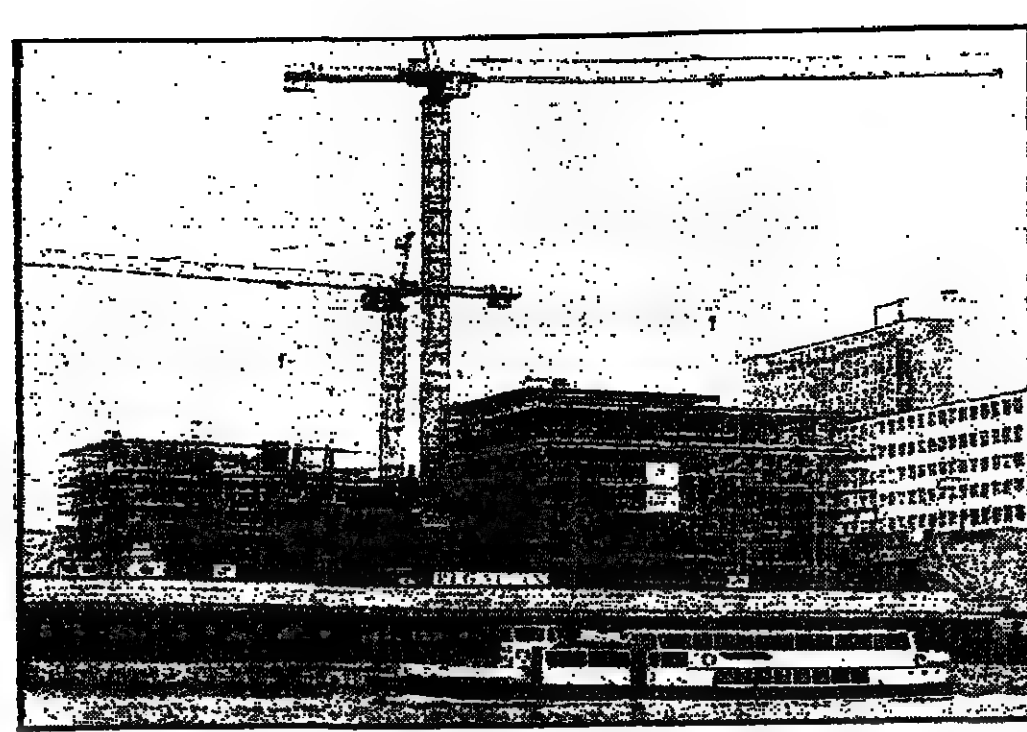
HORSESHOE Court on the south bank of the river Thames at Southwark Bridge is not just the new London headquarters of the Financial Times. It is also a boost to the profitability of Regalian Properties.

The sale to Pearson for £74.4m, says David Goldstone, the managing director, "effectively ensures the growth of our profitability over a three-year period." Payments from Pearson are staged over that time, starting with an immediate £20m.

Beyond that, though, the sale represents an early success for Regalian's diversification out of residential refurbishment, the basis of its profitability so far. This was no forced sale.

Pretax profits more than doubled over the 1986-87 year to £2.2m and are set to continue growing this year on the back of the housing boom. "We could have held the project," says Mr Goldstone, who had undertaken it on the assumption that the rents would be about £25 a sq ft.

"But there was a certain logic in selling when the capital value reflected rents of nearer £35. And if office supply catches up, there would not be dramatic increases at the first rent review," he says.



The Financial Times' future headquarters, Horseshoe Court, under construction on the south bank of the river Thames, by Southwark Bridge. The building was sold to Pearson by Regalian for £74.4m. The sale, which will boost Regalian's profits over a three-year period, represents an early success for the company's efforts to diversify out of residential refurbishment.

At one stage the project had looked like icing on the Regalian cake. And the same could be said for the 100,000 sq ft office content of Regalian's Free Trade Wharf scheme in London Docklands.

However, in the future there is likely to be a stronger commercial content in Regalian development schemes. Partly, this springs from the logic of urban renewal, which Regalian sees as its stock-in-trade. "There is willingness to realise

that urban renewal is not merely urban housing renewal," says Mr Goldstone.

The bigger urban redevelopment tend to be mixed and Mr Goldstone believes that Regalian can span the spectrum - something he suggests only a relatively few companies can do. So it is to be expected that Regalian will be among the bidders for inner-city projects which go beyond the provision of housing.

Regalian could well bid for an office-housing scheme in Victoria, west London, when it comes on the market shortly.

None of this is to say that Regalian will go for any office scheme that happens to be around, and which attracts developers by the dozen. But residential schemes with a commercial content are different. "They are not likely to attract more than half a dozen major companies," says Mr Goldstone.

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NOTICE TO HOLDERS OF DEFERRED SHARE WARRANTS TO BEARER
PAYMENT OF COUPON NO. 79

With reference to the notice of declaration of dividend advertised in the Press on 29th August, 1987 the
following information is published for holders of share warrants to bearer:
The dividend of 27.5 cents per share was declared in South African currency. South African non-resident
shareholders' tax at 1.8029 cents per share will be deducted from the dividend payable in respect of all
share warrants common having a net dividend of 25.6971 cents per share.
The dividend on bearer shares will be paid on or after 4th November, 1987 against surrender of coupon
No. 79 detached from these warrants to bearer as under:-

- (a) At the offices of the following continental paying agents:
- Bankers Brüssels Lambert
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8 Rue de la Loi
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 - L'Europeenne de Banque
21 rue Laffitte
75008 Paris
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 - Credit Suisse
Paradeplatz 8
8001 Zurich
 - Swiss Bank Corporation
7 Leventenquai
4002 Basel
 - Union Bank of Switzerland
Bahnhofstrasse 45
8001 Zurich

Payments in respect of coupons lodged at the offices of a continental paying agent will be made in South
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continental paying agent. Instructions regarding disposal of the proceeds of the payment to a credit against the
continental paying agent's account may be given to such authorised dealer by the continental paying agent concerned.
(b) At the Securities Department of Hill Samuel & Co. Limited, 45 Becc Street, London, EC2P 2LX.
Unless previous instructions are received at such office request payment in rand to an address in the
Republic of South Africa, payment will be made in United Kingdom currency either:
(i) in respect of coupons lodged on or prior to 28th October, 1987, at the United Kingdom currency
equivalent of the rand currency value of their dividend on 28th September, 1987, or
(ii) in respect of coupons lodged after 28th October, 1987, at the prevailing rate of exchange on
the day the proceeds are received, through an authorised dealer in exchange in Johannesburg
to the Securities Department of Hill Samuel & Co. Limited.
Coupons must be left for a least four clear days for examination and may be presented any weekday
between the hours of 10.00 a.m. and 3.00 p.m.
United Kingdom Income tax will be deducted from payments to any person in the United Kingdom in
respect of coupons deposited at the Securities Department of Hill Samuel & Co. Limited, unless such
coupons are accompanied by valid Revenue non-residence declaration forms. Where such declaration is
made, the net amount of the dividend will be the United Kingdom currency equivalent of 20.075 cents
per share in terms of sub-paragraph (a) above subject as follows:-

Amount of dividend declared	South African Currency cents per share
Less: South African Non-Resident Shareholders' tax at 6.555%	27.5000
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	25.6971
Less: UK Income tax at 20.444% on the gross amount of the dividend of 27.5 cents	5.2221
	20.0750

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Exhibitions

PARIS

Fine Prints in France from the 16th to the 19th century. More than 200 impressions of exceptional quality from the print department of the Bibliothèque Nationale show the infinite possibilities of artistic expression through varied techniques of printmaking. The panorama ranges from early engravings showing strong Flemish, German and Italian influences to the majestic Grand Siècle style under Louis XIVth, from Boucher's pastel-hued subjects to the modernity of Toulouse-Lautrec and the striking colours of Bonnard. Bibliothèque Nationale, Galerie Mansart, 58 rue Richelieu, ends Nov 2.

WEST GERMANY

Hildesheim, Roemer- und Pelizaeus-Museum, Am Steine 1-2. Egypt's rise to a World Power: More than 300 pieces loaned by 20 museums in Europe, Africa and America - the first presentation of the most important 190 years 1350-1400 BC of the New Empire in Egypt. The bust of Pharaoh Thutmose III, discovered in 1867 without a face, can be seen complete in Hildesheim. The face, found in Egypt only 20 years ago, was loaned by a Cairo Museum. An-

other highlight is a reconstruction of the 3000 year old burial chamber of Sennefer, the former mayor of antique Thebes. Clothes, household appliances, tools, cosmetics and jewellery illustrate the everyday life of Egyptian citizens. Ends Nov 22.

LONDON

The Tate Gallery. Turner in the new Clove Gallery. The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful colonial setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful colonial setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful colonial setting is a nice question.

ITALY

Venice: Ala Napoleonica and Museo Correr. Matisse and Italy: over 250 works by one of the most prolific of 20th century French painters. The exhibition includes paintings, drawings, and Matisse's entire output of sculpture (75 pieces in all), lent by private and public collections in France and America, and the Musée Matisse in Nice. Pierre Schneider, the organiser, has attempted to show how the works of Italian painters such as Mantegna, Pollaiuolo, Giorgione and

Veronese may have influenced Matisse. Until October 18.

Rome: Palazzo Braschi. Painter-Photographer in Rome: 1945-1970. The late painter-photographer was used almost up to 1970 to describe the early photographers, even if they had never painted. An absorbing collection of documentary photographs of Rome, including a collection by the English archaeologist John Henry Parker, and some striking portraits, all from the archives of the Rome Consulate. Ends Sept 27.

Venice: Palazzo Grassi. Jean Tinguely: 1954-1987. The jokey mechanical sculpture of Swiss artist Jean Tinguely. A gambler, but still mischievous, version of Salvador Dali, Tinguely describes some of his incredible moving sculptures (all built from refuse iron and steel) as "machines a sentiments", and the complexity and sheer improbability of his works commensurate a touching "joie de vivre". Over 300 works are on show, lent by American and European museums, with photographs of his first Self-Destructing Sculpture. Homage to New York, which duly self-destructed in the gardens of the Museum of Modern Art in New York in 1960. Ends Oct 18.

NEW YORK

IBM Gallery. Post Modern Architectural Visions includes an international array of designers including Michael Graves, Hans Hollein, and Adolfo Natalini with 200 drawings and models of work from 1960 to 1985, originally organised by Williams College and Deutsches Architekturmuseum in Frankfurt. Ends Nov 7. 56th & Madison (407 6100).

CHICAGO

Art Institute. Walker Evans photographs of the 1930s showing poverty and despair in the American South were famous in their time in Life Magazine and preserved in James Agee's moving book, Let Us Now Praise Famous Men. This exhibit is a reminder at a time of renewed

despair in the American heartland of the scope and depth of Evans' work originally done for the Farm Security Administration. Ends Nov 8.

WASHINGTON

National Gallery. A Century of Modern Sculpture. The Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabe, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

Hirschhorn Museum. One of the Chicago contemporary primitivists whose repeated scenes make evocative images has his first major east coast retrospective with 40 paintings and four painted constructions. Ends Oct 18.

TOKYO

Chinese Paintings and Ceramics of the 18th-20th century. 144 paintings and 33 ceramics comprise this important exhibition from the Yang He-Tang collection in Taipei. The paintings include traditional-style watercolours of landscapes, birds, flowers and portraits. Especially interesting are works by literati painters with their political overtones - orchid/bamboo/rock or pine/bamboo/plum compositions symbolising difficulties in a harsh political climate. Works of China's two most important modern painters, Chi' Pai-Shih (1883-1957) and Fu Pao-Shih (1894-1965), are included. The ceramics, mostly Chi' Yen-Lung, a ware synonymous with excellence, were made for the Imperial family. Imperial Museum, Hibiya, near main hotels and Ginza. Ends Sept 27.

Modern Japanese Paintings of the 20th century. 128 works of one of Japan's foremost contemporary artists. From Nihonga (19th century, Western-influenced Japanese painting) to abstract futuristic themes, he is one of Japan's most prolific artists. National Museum of Modern Art, near Takebashi Station, off Imperial Road. Ends Sept 27.

Theatre

NEW YORK

Fences (48th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with James Earl Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve his lot but dogged by his own failings. (221-1311).

Cats (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically kaleidoscopic, but classic and overblown idea of theatricality. (239 8282).

2nd Street (Majestic). An immediate celebration of the heyday of Broadway in the '30s incorporates genre from the original film like *Shuffle Off to Buffalo* with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert). The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as rationales rather than emotions. (239 8200).

La Cage aux Folles (Palace). With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (571 2626).

I'm Not Rappaport (Booth). The Tony best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park who bicker uptown about life past, present and future, with a funny plot to match. (339 6200).

Les Misérables (Broadway). Led by Colin Wilcock, repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and passion brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 8300).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spread-up stage with new bridges and American scenery to distract from the hackneyed pop music and crumpled-up silly plot. (588 6101).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Fyodor Dostoevsky and dated leadenness in a stage full of characters, but it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (941 0033).

WASHINGTON

Cabaret (Opera House). Hal Prince again directs Joel Grey as the seductive master of ceremonies in a Broadway-bound revival of the evocative musical of Berlin life in the 1930s. Ends Oct 3. Kennedy Center (254 3770).

TOKYO

Les Misérables. After London and New York, now Tokyo and the Japanese version of the Tony-award winning musical. The cast was hand-picked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special "school" and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer.

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper. Busoni's rarely played *Doktor Faust* features Lucy Peacock, Kenneth Riegel and Andreas Schmidt. Tannhäuser in Kurt Horner's production stars Janis Martin, Sharon Sweet and Spes Wenhoff. *Manon Lescaut* has Pilar Lavergne, George Fournier and Giorgio Lamberti. The week also offers Boris Balchun's *Freischütz* in Maren.

Hamburg, Staatsoper. Don Giovanni, conducted by Peter Schneider, takes the leads Julia Varady, Samuel Ramey and Kurt Möll. *La Clemenza di Tito* brings Judith Beckmann, Pamela Coburn, Werner Holweg and Harald Stamm together. *La Bohème* has a particularly strong cast with Rachel Joselson, Jane Perry and Alejandro Ramirez.

Cologne, Oper. The premiere of *Bigot*, produced by August Bording. The cast includes Alida Ferrarini, Victoria Vergara and Westli Jemelake. The highly-acclaimed production of *Des schellen Fischer* by Harry Kupfer, has Roland Her-

mann, Eva Tannas and Randall Ouzand.

Stuttgart, Württembergisches Staatstheater. Der Rosenkavalier is steered to triumph by Karin Armstrong. Trübschlag in Kurt Horner's production stars Janis Martin, Sharon Sweet and Spes Wenhoff. *Manon Lescaut* has Pilar Lavergne, George Fournier and Giorgio Lamberti. The week also offers Boris Balchun's *Freischütz* in Maren.

München, Bayerische Staatsoper. Fidelio, in Günter Friedrich's production, returns with an attractive cast - Hildegard Behring, Julia Kaufmann, Rodo Brinkmann, Theo Adam and Robert Goldberg - and Hans Martin Schmidt as conductor. Don Carlo stars Natalia Troitskaya, Bruno Rigliotti, Jewgenij Nestrenko and Alberto Cupido. Salome is an event of more than passing interest with Brigitte Fieschbacher, Hildegard Behring and Walter Raffeiner. *Falstaff* is well cast with Pamela Coburn, Brigitte Fieschbacher and Jean-François. Ariadne auf Naxos rounds off the week.

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera production of Wagner's *Tristan und Isolde* directed by Jürgen Gosch, has George Gray

Down in from London. Tolo's *Les Misérables* is a triumph. The best production of a Western musical in Japan, it differs little from the original London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company, Shiseido. Imperial Theatre, near Ginza. (201 7777).

LONDON

Antony and Cleopatra (Olivier). Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle-scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in *A View from the Bridge*. Juliet Stevenson in a wonderful *Paris Opera* production designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, mercurial and palpable hit. (899 2244, CC 379 6560).

The Phantom of the Opera (Her Majesty's). Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, mercurial and palpable hit. (899 2244, CC 379 6560).

The Balcony (Barbican). Sadly dated and heavy-handed opening to the BSC's Genet retrospective, not helping to fight suspicions that the BSC, certainly in London, is slanted way beyond its creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel and

the actors, a dull lot, clump around on high boots in big bulging costumes. (828 5763).

Follies (Shakespeare). Stunning revival, directed by Miles Ockent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque re-unite in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (378 5399).

Melons (Haymarket). Alan Bates predictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. Menopausal mutterings, not vintage Gray. (930 9832).

Serious Money (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and vivid, but new cast seemed less good. (636 3028, CC 379 6560).

A Small Family Business (Olivier). Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale. Ayckbourn's own production is led majestically by Michael Gambon. Best of the NT remains King Lear and Antony and Cleopatra in the Olivier. A View from the Bridge in the Cottesloe. The new Brian Friel adaptation of Turgenev's *Fathers and Sons* is decent but dull in the Lyttelton. (928 2232).

Three Men on a Horse (Vaudeville). George Abbott's sprightly gambling comedy has been transferred from the National. Geoffrey Hutchings in the lead now joined by Tovah Wilson (838 9887).

La Bohème. Lincoln Centre (870 5570).

LONDON

Royal Opera, Covent Garden. The revivals of Tannhäuser, Falstaff and La Bohème scheduled for the opening weeks of the Royal Opera season are threatened by a dispute between management and chorus. Check theatre for details. (240 1086).

English National Opera, Coliseum. The second new production of the 1987-88 ENO season is a favourite with the public strangely long-absent from London theatre - Bizet's *Peacocks*. Charles Mackerras conducts, Philip Prowse produces in his own design, and the cast includes Adrian Martin, Valerie Macrae, and the superb *Les Misérables* baritone Sergey Lebedev (ENO debut). Also in repertoire: further performances of Sondheim's *Pacific Overtures*, a bold venture for the company, and Salome, with Josephine Barrow dramatically powerful (if vocally not always equally so) in the title role, and Mark Elder an excellent conductor. (838 3161).

Continued on Page 23

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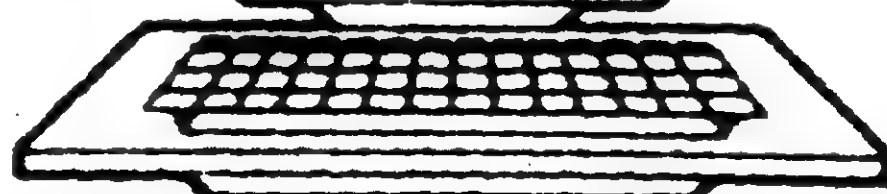
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Friday September 18 1987

The presidency in Mexico

THE Mexican political establishment is in the final throes of its unique ritual of choosing the next presidential candidate. The choice of the successor to President Miguel de la Madrid from this cabalistic process could be announced as soon as next week.

The unprecedented effort to give an impression of a genuine contest cannot disguise the way everything has taken place within the closed ranks of the ruling party, the PRI, subject to little public scrutiny. The successful candidate will be presented as a *fait accompli*, and there can be no real challenge, despite the ensuing election. The field of "official" candidates has been narrowed down to three from six. None would displace a presidential platform in Latin America but they all represent the PRI system which has refused to accept any challenge to its monopoly of power since the Revolution and which this year has cold-shouldered a movement for internal reform, the so-called Democratic Current. The PRI establishment still thinks it knows what is best for Mexico and complacently relies on its own capacity for change, a capacity which has begun to look increasingly questionable.

Structural reforms

The person selected will be the single most important influence in determining the direction of Mexico throughout the nineties. This decade could decide whether Mexico is capable of bridging the gap between a developing and a developed economy, and whether the country's political system can be modernised without turmoil.

The de la Madrid presidency has been an era almost totally absorbed with the management of the debt crisis. The next first candidate must not only focus on debt and the sound economic structural reforms which have been set in motion, but also address the need to open up the political system.

The president sits atop a pyramid of authority with virtually unlimited power. The greatest weakness of President

de la Madrid has been his inability to galvanise the bureaucracy of state and party (often interchangeable) and so make full use of this power to achieve his goals which have been both sound and honourable. He has been a cautious president, eschewing populism which so often in the past has been the downfall of Mexican leaders. However, his caution has seen him draw back from his promise of a more open political debate. Whenever elections have been held the accusations of vote-rigging have run uncomfortably true.

Reasonable surplus

Against this, he has behaved responsibly towards Mexico's creditors and has tucked with an austerity policy despite considerable unpopularity. He can also take credit for pushing Mexico into the GATT and for setting in motion a fundamental shift towards a more liberal and export orientated economy not so dangerously dependent upon one source of income, oil.

It is indeed a remarkable contrast to see the extraordinary boom in the Mexican stock market (up over 800 per cent this year), reflecting genuine private sector confidence at the onset of his final year in office, compared to the gathering gloom and later panic as his predecessor nationalised the banks at the outset of the debt crisis. Mexico's huge debt burden now looks more manageable than either that of Argentina or Brazil. The current account is back to a reasonable surplus, private capital is being repatriated and reserves have accumulated to an embarrassingly large \$14bn.

The government must at all costs avoid the temptation to use these reserves to splash out in the final presidential year to buy new loyalty for the PRI and the incoming President. The element worrying Mexico's creditors, so impressed by the turnaround in the external account, is an accelerating inflation without real evidence of renewed domestic growth. Keeping inflation under control must be the major priority in the coming months.

US threat to open trade

WHEN the Governors of the IMF and World Bank meet in Washington this week after the shadow cast by the Capitol. That shadow will be particularly deep this year, since Congress is about to produce a trade bill that might undermine all the efforts of the developing countries of the advantages of outward-looking trade policies.

How can one persuade the governments of developing countries of the merits of greater openness to international trade when the US itself has lost that faith? The American justification is the state of the balance of payments, but many developing countries have still more manageable imbalances or, worse, have paid a huge price for achieving balance.

The rise of protectionism in the developed countries has come at a time when the intellectual case against the export pessimism of developing countries is ever better understood, as was shown by the World Bank's *World Development Report 1987*. An essay just published by the Trade Policy Research Centre in London, *Myths and Reality of External Constraints on Development* by Professor James Riedel, sheds more light on what is wrong with the traditional export pessimism. Such pessimism, he notes, usually follows from a mechanistic view of the world economy, in which the growth of world demand is the sole determinant of the growth of exports from developing countries.

Diversification

Paradoxically perhaps, those who believe in this "engine of growth" view of development almost always do so when complaining that the engine has broken down. They then argue that the developing countries should free themselves from the constraints of poor world economic growth by consciously shifting their growth towards their home market. In this way, it is suggested, the "engine" will be modified to allow faster growth.

One striking development has undermined the "engine of growth" view and its implications. That development is the diversification of developing country exports into products,

especially manufactures, where they contribute only a small part of world supply. It is common, therefore, to find that the growth of the markets that then matters. The more protectionist the developing country the less competitive its exports are likely to be. After all, Hong Kong alone exports more manufactures than all the countries of Latin America combined.

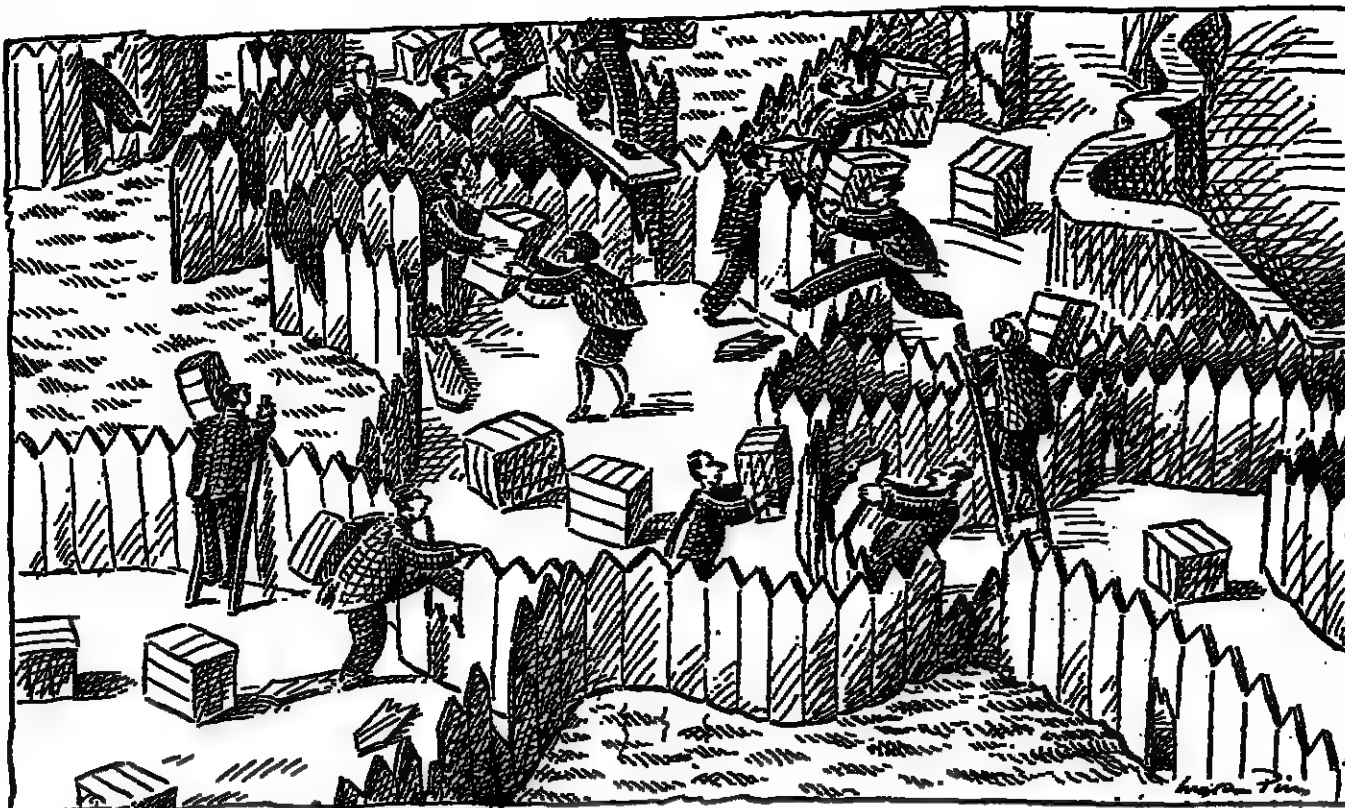
The policy lesson to be drawn, however, is not that developing countries must export at all costs. It is rather that their policy should not be biased against any particular market. Furthermore, it is always an anti-trade bias that needs justification. After all, there is only one sub-Saharan developing country, Nigeria, that has a market for manufactured goods much larger than that of a middle-sized British town like Nottingham. Only four developing countries have total markets for manufacturers significantly greater than those of Greater London.

Correct policy

Neutrality is logically the correct policy for almost all developing countries individually. It is also the correct policy for all developing countries together wherever their combined exports of a given product contribute a modest share of total world demand. Nevertheless, the growing protectionism of the developed countries is likely to alter both reality and perception.

So far as the reality is concerned, protection seems quite ineffective until now, with the volume of exports of manufactures from developing countries growing at 8.4 per cent a year even in the 1980s, almost four times as fast as the growth of developed country markets. But perception is quite another matter. Awareness of protectionism in developed countries is becoming stronger in all developing countries. Consequently, the rewards of liberalisation look, at best, increasingly unattractive and, at worst, non-existent. A protectionist trade act in the US would confirm all suspicions. It would be a bitter irony if in this way the domestic political consequences of US fiscal policy were to thwart the Administration's sincere promotion of liberal economic policies abroad.

Guy de Jonquieres says that for companies, the EC's plan for a single market may mean less than some of them claim



Bursting barriers of mind and matter

and persistence within the firms themselves.

But to judge from this that the internal market programme is unlikely to have more than a marginal impact would almost certainly be wrong. That many companies expect it to make a real difference is clear from the quiet but determined resistance to protect privileged positions in their home markets, and from dark warnings that US and Japanese companies may be the only real beneficiaries.

The severity of trade barriers within the EC varies considerably. Relatively few market sectors are, in practice, completely closed, though those which are tend to be economically important. The biggest is public procurement, roughly 10 per cent of the Community's gross domestic product, where less than 10 per cent of all business is put out to international competition.

Genuine opening here would be bound to hasten restructuring of industries in which fragmented markets have bred duplication of capacity. Europe still has seven indigenous makers of digital telephone exchanges, compared with three in North America. In power generation, the advanced, recently agreed merger between Asea of Sweden and Brown Boveri of Switzerland, it has more than three times the number of turbine and boiler makers in the US.

There would be immense competition, an enormous scramble if markets were opened, says Mr Graham Anderson, deputy chairman of Britain's NDL, a leading power engineering company. He does not welcome the prospect, arguing that competing across the EC would add to the company's costs without guaranteeing any new business. "All European power utilities today are chaotic and in a way all national manufacturers benefit," he says.

Financial services are another no-go area in much of

In pharmaceuticals, each country insists on its own approval procedures, while in many types of consumer goods there is a proliferation of different national requirements for labelling and packaging and, sometimes, product specification. Mr Alain Chevallier, chairman of French luxury goods maker Moët-Hennessy, says that to sell some of its cosmetics lines throughout Europe, the company needs to hold three separate sets of stock.

The EC Commission expects to have a clearer idea of these costs later this year, when it

Saint-Gobain glass group who now heads Cerus, the French holding company of Italian industrialist Mr Carlo de Benedetti.

Mr Andre Delage, a director general of CGE, the French electrical company which last year took control of the European businesses of IIT of the US, accepts that there is some truth in this accusation. "The barriers are important, but in the past we stressed them too much as a reason to do nothing," he says.

On this view, the real test of the internal market programme may lie as much in its ability to change managers' perceptions as to change objective market conditions. The Commission fears that unless industry is convinced that the single market will become a reality and plans ahead accordingly, the impact of the initiative may be reduced.

For many managers, thinking on a truly pan-European scale will involve a major break with the past. Ironically, the challenge may be as severe for some well-established European multinational groups as for the smaller firms. Companies such as Philips and Unilever, the Anglo-Dutch food processing group, still do much of their business through local subsidiaries which have traditionally developed, made and sold products mainly for the countries in which they are based.

Though Philips, for example, is seeking to rationalise its European operations, it dare not move too fast for fear of offending local sensitivities. As

The real test of the programme may lie in its ability to alter managers' perceptions

the Community. Though deregulation has begun to open stock markets and banking to wider international competition in Britain and France, restrictions are crumbling much more slowly elsewhere. For example, it is still illegal for insurance companies based in one EC country to sell policies in many others.

In most cases, however, coping with intra-EC differences is largely a question of cost. The motor industry carries a particularly heavy burden, having to grapple with five different engine standards and myriad other national variations in government regulations. "It all makes for horrendous programme planning," says a Ford Europe executive.

centre stage of French business. The former chairman of France's powerful Compagnie Generale d'Electricite (CGE), who resigned just before the group was nationalised by the left in 1982, was chosen yesterday to replace Sir James Goldsmith at the top of Generale Occidentale.

Sir James surprised everyone this summer when he sold his controlling interest in Generale Occidentale, his main French company, to the recently privatised CGE.

Ambroise Roux, now 66, appears to have played a major role in the CGE-Goldsmith transaction. Indeed, when the Right returned to power in France last year, Roux also returned to CGE as a member of the telecommunications and heavy engineering group's board.

He will now be spearheading CGE's controversial new diversification into the media and other services through the Goldsmith deal.

Many people say that Roux, one of the great secret fixers of the French business establishment, has for some time been pulling the strings inside CGE, a suggestion which irritates Pierre Suard, the current CGE chairman, appointed by the Right Wing government last year.

A close friend of the late President Georges Pompidou, Roux is also close to Edouard Balladur, the current finance and economy minister who was secretary general at the Elysee Palace in the Pompidou years.

The return and jovial Roux also claims to have good relations with President Mitterrand — who is believed to have consulted Roux on a number of occasions on delicate industrial and financial dossiers.

Risk factor

From the Unit Trust Newsletter for September, "We cannot guarantee that letters to the 'Your Questions Answered' page will be answered."

Observer

Roux's return

Ambroise Roux, the long standing eminence grise of French industry and finance, is making a dramatic comeback to the

Men and Matters

Bevor makes a round trip

It is second time round for Antony Bevor, aged 47, solicitor and merchant banker, who will begin a stint as director general of the City of London's Takeover Panel at the panel's regular quarterly meeting on December 11—traditional hand-over day for the job.

Bevor was seconded to the panel for two years in the early 1970s as secretary. When he left to join Hambros corporate finance department (where he has been ever since and is now a director) the then Governor of the Bank of England, Leslie O'Brien thanked him for his services and added, "I hope to see you back as director general in ten years time."

In the event it has taken Bevor 15 years to make the round trip. But he has a reputation for being a patient man, and says he is looking forward to his two years in the director general's chair.

His father, Miles Bevor, aged 87, also a solicitor and business man, will be remembered by old City hands as legal adviser to the British Transport Commission, and managing director of the Brush Group.

After Winchester and New College, Oxford, Antony Bevor spent 10 years with Ashburton, Morris, Crisp, and Co the solicitors, before going to the Takeover Panel. He is married with two children.

Front line

While Bevor yesterday discreetly parried questions about his plans as director general, the size of the task he will face in December was illustrated by the brevity of the present incumbent's supporting appearance at a Press briefing.

John Walker-Haworth had to steal downstairs from a meeting of the full Takeover Panel called to consider the late (and unusually structured) bid by Crowx, the Canadian group, for two money-broking sub-

idiaries of Mercantile House, Walker-Haworth's 21-month tenure has seen a flood of takeover activity, unrivalled in volume and relative size for nearly two decades. More significantly perhaps, the innovative skills — and wiles — of takeover artists have never been higher.

After the Guinness affair, the panel's exposed position at the keystone of the City's regulatory structure has become a favourite target for critics.

Its authority has survived an initial legal challenge and should be bolstered by evolving links with the Securities and Investment Board. Nevertheless, Bevor's appointment has been greeted predictably by some as a "last throw" — the usual hostile description for each amendment to the Takeover Code or change in personnel at the panel.

As an active takeover practitioner—and not once hailed before the panel—Bevor is expected to take a sensible, non-dogmatic approach which should complement the dominant hand of chairman Robert Alexander.

Bevor himself regrets the changed world since he last worked at the panel, when the code was a thin document indeed, and based on general principles rather than precise rules. His commitment to the panel, however, is undiminished. "It is the best system for regulating takeovers that anyone has devised so far."

Canadian capers

Britain's MIS is not the only government intelligence agency to be the topic of some controversy at the moment.

Its counterpart in Ottawa, the Canadian Security Intelligence



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AGATHA CHRISTIE'S Miss Marple would have enjoyed the assembly of British's Liberal Party in Harrogate this week. There were no corpses and no great arguments to speak of. Nothing much happened except that the Liberals agreed, as expected, to begin negotiations with the Social Democrats on the formation of a new party. It might have been called, after a famous book, *The Strange Death of Liberal England*.

Beneath the surface, however, it was all rather intriguing. Some people did not turn up: the recently emboldened Roy Jenkins, for instance. And if there were no murders, there was character assassination.

David Owen, the former Social Democratic Party leader, was the principal victim. Some of the key characters did not talk to each other very much. The relationship between David Steel, the Liberal leader, and Robert MacLennan, Dr Owen's successor, is still at arm's length. Despite having been Scottish MPs together for more than 20 years, they appear scarcely to know each other. Scotland, says Mr Steel, is a big place.

There was also an air of mystery, even if nobody could be sure what the mystery was. The motivation of the characters was mysterious as well. What is Mr MacLennan up to and what is Mr Steel going to do next?

Mr Steel is not telling, perhaps for the entirely plausible reason that he has not yet decided. After more than 10 years as party leader, he says that he would be more than happy to make way for a successor. He would hope to continue as an MP, but would devote more time to his interests in Scottish and African affairs.

The trouble is that an obvious choice for the succession, David Steel, the MP for Fife, was killed in a car crash last December. Mr Steel would have had no objection to the leadership of the new party going straight to Dr Owen but, as he says, Dr Owen has deliberately thrown it away.

The successor will almost certainly have to be an MP and there are very few eligible candidates. Alan Beith, the deputy to Mr Steel and the MP for Strathclyde, has been a candidate. Mr Steel would have had no objection to the leadership of the new party going straight to Dr Owen but, as he says, Dr Owen has deliberately thrown it away.

Mr Steel would have had no objection to the leadership of the new party going straight to Dr Owen but, as he says, Dr Owen has deliberately thrown it away.

Politics Today: the Liberals at Harrogate

The Steel machine looks a little tarnished

By Malcolm Rutherford

All this points to Mr Steel as the natural leader of the new party. It would be the next logical step towards bringing about the realignment of British politics which he has long talked of.

Yet, apart from his own reservations, there are arguments against this. Mr Steel is beginning to look a bit tarnished. He has been around long enough for there to be blotches on his record.

It is doubtful whether he achieved as much as he would have liked from the Lib-Lab pact in the late 1970s. He behaved quite ruthlessly to Mr Jenkins in the 1983 general election campaign. He appears to have been similarly ruthless in blaming Dr Owen for the Alliance not doing better in the election this year and in calling for a merger almost before the results were counted.

There is also a stronger case against him. Mr Steel has never really been interested in ideas. His heart and his head may be generally in the right place, but ideas bore him. For him, reality is a nuisance. He does not appear to appreciate that a political party only takes off when it has a solid body of thought behind it and represents an identifiable constituency in the country.

He may seem, too, just a shade opportunistic. Why else did he take a lead so quickly after the general election? And

what is he doing now—waiting for the new party to give him the crown, or just being indecisive?

Mr Steel says that he will make up his mind in January or February, when the merger negotiations should be more or less complete.

Meanwhile, however, it must be frustrating for the party not to know what his intentions are. After all, the leader should be capable of taking it through the next general election. There can be little point in having an interim leader. But that is Mr Steel's dilemma: does he want to commit himself for the next five years?

Which brings us to Mr MacLennan. Could he, having emerged almost overnight as leader of the SDP, also become a contender to head the new party?

The Liberals do not yet know quite what to make of him. He makes the right gestures. He was warmly received when he mounted the platform to listen to their merger debate on Tuesday. When he offended them it was unintentional. He told the assembly that the new party must accept British nuclear weapons "for the foreseeable future". Some vaguer phrase, like "subject to development in Geneva" would have been preferred by the Liberals. Mr MacLennan treats language very literally. For him, the foreseeable future

could be a very short time.

He has also softened a bit on civil nuclear power, after seeming to suggest in his speech to the SDP conference in Portsmouth two weeks ago that the new party must be in favour of it. He now says that he was merely citing it as an example of the Alliance not having agreed a common policy before the election.

Mr MacLennan has something else going for him, apart from his not being Dr Owen. The Liberals have grown rather to admire the SDP during the years of alliance. They think it is better organised than their own party, better at decision-making and altogether more disciplined. They would like the new party to learn from it.

That point was made by, of all people, Michael Meadowcroft, one of the more anarchic of their leading figures, and it is widely felt. The Liberals believe that it would have been time to get their own house into more order, even without the possibility of merger.

Mr MacLennan's problem, of course, is not so much Dr Owen as the 43 per cent of SDP members who voted against the merger. He thinks that it would be no achievement at all, indeed it would be a total disaster, if the merger terms were negotiated and then rejected by anything like half the SDP.

Given Dr Owen's position, acceptance of a merger by the



Alan Harper

Lombard

Why the bezzle is rising

By Richard Lambert

THE Japanese bond market takes a dive — and an important chemical company is forced into the arms of its bankers, crippled by ill-timed speculation in bond futures. US financial markets go through a volatile phase — and two or three major investment banks are hit with enormous losses on speculative transactions which in at least one case had not been properly authorised.

Is this just the tip of an iceberg with much more waiting to be exposed as the tide of the worldwide bull market ebbs and flows? The answer is that this is almost certainly so. The level of imprudent behaviour — and what is more, of financial crimes — can be plotted in line with the business cycle. When times are good and money is plentiful, managers change their views about what constitutes an acceptable level of risk. They also become less inclined to check expense claims and to slog through rows of numbers in search of discrepancies. And although there is plenty of money around, there are always people who want more.

Successful speculators are envied and imitated, and errors of judgement — or outright dishonesty — can be hidden behind the general increase in profits and share prices.

In a depression, all this is reversed. As Professor J. K. Galbraith once put it, money is watched with a narrow, suspicious eye, and the man who handles it is assumed to be dishonest until he proves himself otherwise. Audits are penetrating and meticulous, and commercial morality is enormously improved. Thus the period after the financial crash of 1974 was one of the most austere in recent memory. After the excesses earlier in the decade, hairshirts were much in fashion, and property developers became a term of abuse.

Galbraith described a neat concept to describe this cycle. At any given time, there exists an inventory of undiscovered embezzlement in — or rather not in — the nation's businesses and banks. This he described as the bezzle, a pool of money which expands and shrinks in line with business conditions. In the

case of fraud, there may be a long gap between the moment when the crime is committed and the victim begins to feel any pain, a happy period in which society as a whole feels itself to be considerably better off than actually may be the case.

The most sensational example of the bezzle in operation was that of the Union Industrial Bank of Flint, Michigan. The assistant cashier started embezzling money from the bank early in 1928 to play the New York Stock Market. In the next few months, it gradually dawned on him that more than a dozen of his colleagues were doing the same thing, and that there might well be safety in numbers. Soon, the conspirators took to having well attended weekly meetings in the board room to discuss their investments. Reliable bell boys in the local hotels were retained to give early warning of the arrival of the bank examiners.

In this case, the bezzle did not lead to much of a net increase in the sum of human happiness, since the group showed an uncanny ability to pick the wrong stocks. They went short just before the market took off in the early summer of 1929, and decided there was only one way left to balance the bank's books — by taking out a major long position. This they did, shortly before Black Thursday. The "league of gentlemen," as they liked to call themselves, turned out to be model prisoners in their adjoining cells in Michigan State Penitentiary.

Without looking for anything on quite this extravagant scale, the strong bull market of recent years has obviously encouraged all sorts of excesses, both honest and otherwise. Major transactions have been made on the assumption that profits and security prices will continue to rise for the foreseeable future, averaged out, being the obvious example. Balance sheet structures and overhead expenses have been enormously expanded on a similar basis. And, yes, sand-filled socks have yet to fall on happy, gullible heads as the result of crimes already committed. The bezzle is running in big numbers.

Catching up with the West

From the Editor, *La Découverte*

Sir, — In his Lombard column (September 4) Leslie Collitt asks why Hungary, which introduced market reforms, has done so badly while East Germany, which stuck to orthodox central planning, has done so well. This is confirmed by figures from national accounts: real annual growth was 0.9 per cent in Hungary during 1979-1986, while it was 4.4 per cent in East Germany during the same period.

Mr Collitt gives two reasons which seem to me quite insufficient. The first is the "German spirit" argument. If this was a significant explanatory variable, one would expect much lower growth rates in non-German centrally planned economies. This is not the case and the annual growth rate (for 1979-86) has been much faster than in Hungary in all countries that stuck to orthodox planning (4.3 per cent in Bulgaria, 2.1 per cent in Czechoslovakia, 4.6 per cent in Romania, 3.7 per cent in the USSR and 3 per cent in Albania).

The second argument is that market reforms have not gone far enough in Hungary. What is implied, I believe, is that economic freedom not having been implemented enough cannot manifest its intrinsic superiority. If this is a significant variable one would expect fast growth in small European market economies of a similar level of development, like Greece or Yugoslavia or a bit further away, Portugal. But the growth rate in these countries has been very slow, and close to that of Hungary (1 per cent in Greece, 1.3 per cent in Yugoslavia, 1.9 per cent in Ireland and 2.7 per cent in Portugal). The underlying idea in this second argument is that economic freedom will spur individual initiative to its maximum, and that the market will guide it in the best possible direction. I thought every one knew that this was only true under very special assumptions.

A more serious explanation of the paradox that intrigues Leslie Collitt is that the "risk taking market economy" does not necessarily, and under all circumstances, produce better results than central planning. The Americans and the British found this out during the first and second World Wars when the task was to produce maximum amounts of known commodities. Central planning proved vastly superior.

I propose a double explanation for the indisputable better performance of centrally planned economies during the second phase of the world crisis (1979-86). The first is that these countries are catching up with the West and that there

Letters to the Editor

is a strong similarity between catching up and producing maximum amounts of known commodities (as in a war economy). With a tolerably competent bureaucracy and a minimum of social discipline, central planning should normally (in many respects at least) produce better results than the market, in catching up. There is nothing new in this idea, and no one should understand it as meaning that catching up is simply a linear programming problem consisting in choosing technologies already tested in the West. There is no doubt of the role that discovery, innovation and incentives play in the process of catching up.

The second explanation is that the rigidity, the routine and the relatively "autarkic" character of their economic situation, factors which in general tend to reduce growth in comparison to what it could be, have protected orthodox centrally planned countries from the violent fluctuations of the world market has experienced lately. What has been protected of course is their capacity for real growth, not their disposable income.

Francisco Vergara,
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Paris 75005.

Smoking and sickness

From Jay Townsend

Sir, — Having recently returned from holiday I write in reply to the letter (August 22) by the director of public affairs of the Tobacco Advisory Council. My original letter to you included references to my statistical studies but these were edited out. According to the Annual Abstract of Statistics the index of production of the UK tobacco industry was 5 per cent higher in 1973 than in 1964 (95.0 compared to 90.3 while 1980-100). According to the Employment Gazette, employment in the industry was 50 per cent higher in 1973 than in 1964 (33,200 compared to 22,000). There are some year by year differences in published government statistics due to updating, but my point stands clearly that the change in employment is of a far greater order than that of production.

That sickness rates of smokers are higher than those of non-smokers is also well documented. For example the recently published British Health and Lifestyle Survey reports that male current smokers of working age were

nearly twice as likely to have high blood pressure when compared with non-smokers. The same survey quotes the main reason for men giving up smoking as current ill health.

Jay Townsend,
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Harrow, Middlesex.

Life goes on past forties

From the Director,
Erasmus University Centre for International Energy Studies

Sir, — Your correspondent's survey of the North Sea's prospects (September 7) correctly emphasised the importance of the appreciation of fields reserves over time and the significant remaining exploration potential. The North Sea oil province is, in other words, evolving in exactly the same way as all other major provinces as we argued it would in the two studies we published in the mid-1970s.

Our work was, however, virulently criticised and the disbelief in our conclusions was reflected in the widely expressed views of North Sea oil as a limited, short-term phenomenon with production as well as investment and revenues declining even more quickly than the oil itself. Leading to the "what shall we do when the oil runs out" attitude to oil in the national economy.

Unhappily, in spite of Lucy Kellaway's more realistic presentation on the outlook, the diagram (which so prominently accompanies her article) showing the production profile to 2005 appears to be based on data which reflect the earlier unjustified pessimism, thus helping to perpetuate the myth of a country soon to be re-dependent on imported energy and/or more expensive indigenous alternatives as well as of a national exchequer devoid of revenues from oil production.

Given an oil price at present levels, and a continuing willingness of successive governments appropriately to modify concession and taxation regimes so as to encourage oil exploitation, then known and potential reserves (from both fields' appreciation and continuing new discoveries) could maintain the UK's oil production at around 100m tons per annum (2m b/d) for the rest of the century: providing the producing companies can find outlets for all this UK oil in a long-term situation of gross over-supply in the international

oil market with oil prices as high as \$18.30 per barrel. Here, on the demand side, lies the greatest uncertainty for the prospects for the British oil sector — and the associated macro-economic implications.

Peter R. Odell,
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3000 DR Rotterdam.

How graduates fared

From the Secretary,
University of Cambridge Careers Service Syndicate

Sir, — Michael Dixon mentioned various deficiencies in his league table of universities by output of graduates (September 8) but he failed to mention the first destination which he uses to incorporate another deficiency. He combines the figures for those not employed at the end of December, for those in short-term employment and for those not available for employment. To use the sum of these figures as the indicator of unemployment is unrealistic, and ignores important changes in the pattern of movement into employment.

In some fields, traditional training entry arrangements have virtually ceased, largely because of externally induced financial pressures, and have been replaced by the need to acquire a track record through a series of short-term jobs. People seeking careers in such fields (museum work, for instance) will therefore appear in the category "short-term employment," as inevitably as potential chartered accountants will appear in "permanent employment" and potential solicitors in "full-time study or training." Of course, the size of that category has increased, but the increase reflects the stance of employers rather than the employability of graduates.

Michael Dixon himself raises a question over the fact that the numbers "not available for employment" have been rising. It is, of course, difficult to be sure why people do not do things — in this case, why they do not make themselves available for employment — but it is apparent that increasing numbers of graduates are choosing to delay their search for employment, often in order to do something maturing and educationally useful, like foreign travel, beforehand.

Michael Dixon is more experienced and better informed than most in interpreting the first destination statistics, and would, I feel sure, agree that they have one major imperfection. They are a snapshot, used to record a situation which is changing more rapidly than at any time in the past 25 years.

Bill Kirkman,
Stuart House,
Mill Lane,
Cambridge.

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Of course, this isn't something entirely new to us. Just the same thing happened in '78 when Glenrothes emerged as "Top Town" in another international survey.

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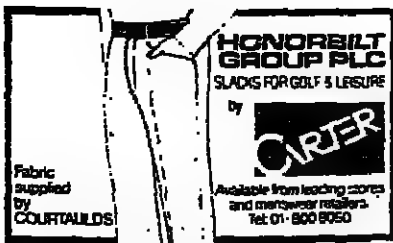
So, this once, we thought we'd blow our own trumpet just a little bit. If you'd like to get aboard our bandwagon, why not give us a call? We'd like your company.



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William Dawkins reports from Luxembourg on taxing the limits of EC members' sovereignty

VAT hearing no joke for Britain and Ireland

WHETHER farmers' boots could qualify for the same tax relief as food because they were involved in making agricultural produce was among the more arcane points raised during a preliminary hearing earlier this week at the European Court of Justice in Luxembourg.

The issue behind this is no joke for Britain and Ireland. They were in court to defend their right to give VAT exemption to a far wider range of products than the European Commission would like.

In Britain's case, this includes the country's 30,000 construction companies, which could see their tax bills driven up by £1.2bn if forced to pay 15 per cent VAT on new work.

The consequences, the UK Building Employers Confederation (BEC) fears, could be to squeeze demand for private housing and impose a new constraint on public construction, already struggling under government spending limits. The extra costs would, of course, be passed on to the public, with a knock-on effect on inflation.

The case is an unusually political one for the court - and is seen by some officials as an unwelcome encroachment on its judicial independence.

On the surface of it, the Commission's legal action against Britain and Ireland is straight-



Lord Cockfield: controversial package

forward. According to EC rules, VAT zero rating should be allowed only for clearly defined social reasons or to benefit the final consumer, both of which touch sensitive questions of national sovereignty.

The Commission argues that neither of those conditions apply to an assortment of zero-rated products in Britain, from new construction (though council houses can continue to be exempt), through to protective boots, animal feed, as well as energy.

Ireland, meanwhile, is defending its right to give favourable treatment to a smaller list of products, including electricity for businesses, fertiliser and seeds.

The UK argues that the Commission has no right to challenge its decisions on which sectors should come in for VAT exemption at a time when an already controversial draft EC directive proposes to abolish the whole system of zero-rating.

Put forward by Lord Cockfield, the - ironically British - commissioner responsible for the internal market, the package aims to remove what the Commission fears is a key distortion to free trade by narrowing the differences in VAT rates charged by member states.

The case is made all the more controversial by the fact that

Clearly, the outcome of the Luxembourg case will crucially affect the negotiating power of both the UK and the Commission when the VAT draft comes for debate in the Council of Ministers in the next few months, and it is this which threatens to plunge the court into a political fight. Its advocate general, Mr Marco Darnio, is expected to give an opinion by mid-November. If past cases are anything to go by, that will be in line with the final judgement, expected next spring.

The Commission, meanwhile, cannot accept that Britain should get away with charging VAT on just 44 per cent of private spending and Ireland 35 per cent, when most member states tax 90 per cent of consumption.

Neither can it accept that the private construction industry, as opposed to local authority housing, exists for clear social reasons. This rigid distinction is just not appropriate. Our policy is for homes, whether they are for rich or poor, argued David Vaughan, Britain's counsel.

The Commission freely accepts that member-states' social policies should, to a point, be their own business. The real bone of contention is how far the UK and Ireland go in allowing VAT relief for products that

benefit the final consumer.

It does not dispute, for instance, that food could be VAT-free, but does draw the line at products involved indirectly in making food, which is where the farmers' boots and animal feed come in.

Boots used in the production of food? Certainly not in Ireland, said Mr Eoin Fitzsimons, Dublin's counsel.

On a more serious level, fuel and power for industry should pay VAT because the final consumer does not benefit directly, argues the Commission, which does not dispute that private energy supplies should continue to be exempt.

Britain maintains that the whole question of where zero-rating should be allowed is of only academic interest to the Commission. The practice has no impact on the resources the EC gets as a share of member-states' VAT income - the main source of community funding - because governments automatically compensate Brussels for any revenue lost through zero-rating.

It is not as if zero rating gives the products at question in this case an unfair advantage over EC competitors, adds the UK. You just don't trade buildings across borders, says Mr John Ray, secretary of the BEC's tax committee.

The picture for spirits worldwide is scarcely one of growth. The formula for survival is by now familiar - genuinely international brands, controlled all the way from production to point of sale. It is also the formula pioneered by Mr Anthony Tennant's old employer, IDV, and Guinness took some pride yesterday in pointing out that the \$55m (including assumed debt) paid for Schenley is cheaper at 8.3 times pre-interest profits than the 8.7 times paid by IDV for Heublein.

Guinness buys US distributor

By Lisa Wood in London

GUINNESS, the international drinks group, has bought for \$450m Schenley Industries, a major distributor of its brands in the US and owned by Riklis Family Corporation.

The acquisition, announced yesterday, overshadowed Guinness's interim financial results for the year to June 30 1987, which, in yielding a pre-tax profit of £151m (\$248m), was less than City of London forecasts.

Schenley's drinks, owned by Mr Moshe Riklis, is the sixth largest wine and spirits business in the US. It is expected to have sales of more than \$800m and profits before interest and taxes of about \$95m in the year ended January 31 1988.

The company, which has a number of its own brands, distributes major Guinness brands in the US including Dewar's White Label whisky and Gordon's Gin.

The acquisition is in line with Guinness's strategy of increasing more control of its distribution outlets as it and other major drinks companies battle for global markets.

In addition, the acquisition resolves a legal wrangle between Mr Riklis and Guinness over the ownership of the Dewar's whisky trademark in the US. Dewar's, formerly owned by Distillers, acquired by Guinness in April 1986, is the leading Scotch whisky brand in the US.

The \$450m purchase price will be paid in cash from existing funds. However, a further consideration valued at about \$110m is payable in cash during the next five years depending on sales volume. In addition, Guinness will assume approximately \$75m of debt relating to the wines and spirits business.

The acquisition was well received in the City of London although there was disappointment over the interim financial results. Guinness acquired Distillers in April last year and if Distillers had been included for the whole of the first six months of last year, the interim result this year £151m would compare with £142m last year.

A net interim dividend of 3p is to be paid with a forecast by Guinness's board of a final dividend of 6.2p, giving a total net dividend of 9.2p for the year.

Mr Marshall Field, a former store clerk from Massachusetts, started his first Chicago shop in 1865.

He lost one store in the Great Chicago Fire of 1871, then rebuilt it, only to lose it again in another blaze six years later. However, his most grandiose creation was in 1908, when four years before his death he built massive pillars to flank the State Street entrance. They were the tallest stone monoliths west of the ruins of Karnak on the Nile.

In 1986, the State Street store, which itself dates back to 1879 - accounted for 20 per cent of the Marshall Field retail chain's sales of \$1bn.

However, BAT's theory is that many suburban consumers also use the State Street store for window-shopping, then buy goods from the other 14 Marshall Field stores in the city's metropolitan area.

BAT has been encouraging swift growth by the Marshall Field chain, whose sales have doubled since 1982.

US textile industry 'optimistic' on quotas

BY NANCY DUNNE IN WASHINGTON

THE US textile industry yesterday attempted a note of optimism about its chances of getting the import quotas it wants, after the US House of Representatives passed legislation on Wednesday by a vote of only 283 to 150.

An industry spokesman talked of "building" on the number of yes votes to get the 290 votes necessary to override a certain presidential veto. But, in truth, an override is unlikely.

From the start, the legislation to place light limits on imports of textiles, clothing and shoes was in trouble. It failed to get the support of key members, including Mr Dan Rostenkowski, chairman of the important House Ways and Means Com-

mittee, and Mr Sam Gibbons, chairman of the trade subcommittee.

"Sector specific" protectionist trade measures have proved to be a lightning rod for conservative opposition, so the two men sought to concentrate their energies on the omnibus trade bill, now in a Senate conference.

The latter, though massive and potentially destabilising, stresses "reciprocity" and prodding on foreign markets rather than close American markets.

The textile bill also attracted wide opposition from farm, retail, export and consumer interests. Mr George Getas, a Pennsylvania Republican, expressed the dilemma many

Congressmen were facing in Wednesday's debate.

"Can we exert the wisdom of Solomon to choose which of our fellow Americans would be most helped or hurt by this legislation?" he asked. In the end he voted, reluctantly, for the measure because "in the shoe industry the numbers (of market losses) are so horrible that even I, a staunch free trader, must have pause."

The vote cut across party lines, attracting most support in states where the industries have suffered great losses. Of the Democrats, 193 voted for the measure while 54 opposed it. Seventy Republicans voted in favour and 102 voted against.

Mr Donald Pease, an Ohio Democrat, spoke fervently of the Reagan Administration's "realistic" approach to trade policy early in the decade, and warned: "We have no assurance it won't be repeated."

However, he voted against the measure because it would, he said, violate international trade rules and send the wrong message. Just as the Uruguay GATT round is getting under way.

The debate demonstrated no lessening of the shrill rhetoric heard against President Reagan and the Japanese. Mr James Traflet, an Ohio Democrat, said that this president is not finished yet and won't be until he has a full-grown rice paddy on the east lawn of the White House.

Some 22 states have called for a Constitutional Amendment to require a two-thirds federal budget approval for any trade agreement.

Reagan gave a plug to the hard pressed Judge and later, at a public hearing, singled out Senator Arlen Specter for special praise. Senator Specter is a swing vote on the divided Senate judiciary committee considering the Bork nomination.

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Reagan speaks of America's solemn duty

BY LIONEL BARBER IN WASHINGTON

PRESIDENT REAGAN yesterday celebrated the 200th anniversary of the US Constitution by declaring that it was America's solemn duty to spread its principles of freedom and limited government to the rest of mankind.

Standing in front of Independence Hall in Philadelphia, where the founding Fathers gathered 200 years ago to debate and sign the constitution, Mr Reagan spoke with mission, a zeal about his country's calling in the world.

"The guiding hand of Providence did not create this new nation of America for ourselves alone, but for a higher cause -

the preservation and extension of the sacred fire of human liberty, a sacred and solemn duty," the 76-year-old President said.

High above, seven white balloons marked "Stop Contra Aid" hovered in the rain, a reminder that some Americans were ready on the anniversary day to exercise their First Amendment rights to oppose the US backed rebels in Nicaragua.

Yesterday brought to a climax months of national celebrations of the constitution which have also been mixed with debate among scholars about whether the original four-page document meets the needs of the modern US state.

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UK moves to speed up merger inquiries

BY RICHARD WATERS IN LONDON

THE UK Government has called in outside consultants to recommend ways of speeding up official investigations into takeovers and mergers.

The review, being carried out by management consultants from Ernst & Whinney, the accountancy firm, follows growing City of London concern that monopolies and mergers Commission investigations take too long.

The review will cover the operations of the Office of Fair Trading, the Department of Trade and Industry's competition policy branch and the commission. The consultants have been appointed to look at "merger control procedures", the Department said.

The proposed takeover by British Airways of British Caledonian in July brought the question of timing to a head. The two airlines said that the deal would be called off if a monopolies investigation took the usual six months. Lord Young, Trade and Industry Secretary,

subsequently directed the commission to report within three months.

Last week the Government also limited to three months a commission investigation into the sale of WH Smith's book club interests.

Insiders believe that investigations could be completed in even less time than this.

The speed with which the Office of Fair Trading makes a recommendation to ministers for a referral will also come under review. In the British Airways case, it reached its recommendation in less than two weeks - seen at the time as very quick, and indication that it has fewer problems to overcome than the commission.

The consultants, called in at short notice at the beginning of this month, have been given until the end of October to complete their review.

The review is part of a wide-ranging government review of competition policy.

British unemployment falls to four year low

BY PHILIP STEPHENS IN LONDON

THE BRITISH Government's optimism over the outlook for the UK economy was given a further boost yesterday by a fall of more than 43,000 in the official unemployment total, a continuing productivity surge and a upturn in investment spending.

The decline in the jobs-to-total was the 14th consecutive monthly fall and it leaves the official figure of 2.63m at its lowest level for over four years.

Alongside the jobs statistics, the Department of Employment reported a 7.3 per cent increase in productivity growth over the past year.

The Department of Trade and Industry, meanwhile, said that the volume of investment spending by manufacturing industry rose by a nearly 14 per cent in the second quarter of this year. It also revised upwards its estimates of Britain's overseas earnings for the first half of the year, changing what was thought to be a small deficit on the current account into a surplus.

Mr Nigel Lawson, the Chancellor of the Exchequer, however, rejected any idea that the economy was overheating. Britain was likely to record above trend growth this month, but that was unlikely to carry through into 1988. Last month's one point rise in interest rates was enough to head off any risk of higher inflation.

Yesterday's batch of favourable economic statistics were the second this week, following news on Wednesday of a sharp rise in manufacturing output and a brightening outlook for sizeable tax cuts in next year's budget.

It was marred, however, by signs that the growth of average earnings in Britain's manufacturing industry is beginning to edge up in response to the strength of output. Despite the strong gains in productivity, the

earnings figures are translating into some acceleration in unit costs.

Overall, yesterday's figures were well-received in the City of London but the response from financial markets was muted by concern that the present pace of economic growth cannot be sustained without pushing up inflation. In particular, the markets are uncertain ahead of today's figures for the money supply, as earlier evidence last month of a rapid acceleration in credit demand.

Mr Lawson would not be drawn on the prospects for tax cuts in next year's Budget but acknowledged that "Public finances are clearly under very good control."

For the opposition Labour Party, Mr Michael Meacher, the shadow employment minister, said that the fall in the unemployment figure was welcome, but it was brought about largely as a result of the Government's pre-election spending spree. "It is only tragic that all this 24bn (£845m) was also a huge consumer credit spree which will peter out next year when unemployment will start to rise again."

The sharp fall in the jobs-to-total over the past year in part reflects the expansion of the government's special measures - the numbers on the Youth Training Scheme, in particular, have risen steeply.

There is also increasing evidence, however, that the strength of the economy is translating into rising employment, with a slowdown in the numbers of jobs being lost in manufacturing coinciding with continuing growth in employment in service industries.

Yesterday's statistics for earnings show that the average annual increase in the manufacturing sector has edged up to 8.4 per cent.

World Weather

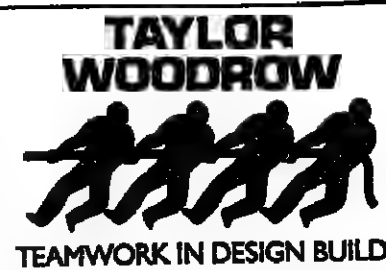
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Argentina	22	10	10	1010	Armenia	22	10	10	1010
Australia	22	10	10	1010	Austria	22	10	10	1010
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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Friday September 18 1987



Owens-Illinois to acquire Brockway for \$744m

BY DEBORAH HARGREAVES IN NEW YORK

OWENS-ILLINOIS, the largest US glass container manufacturer which went private in February in a leveraged buyout, is negotiating to acquire Brockway, the second largest glass container supplier in the US, in a deal worth around \$744m.

The company said that provided Brockway's board agrees to the proposed merger in a special meeting scheduled for late yesterday, it would launch a cash tender offer of \$80 a share for Brockway's 12.5m common shares outstanding.

Brockway, which operates 11 glass container plants in the US as well as a plastic and metals container business and a commuter air ser-

vice, had sales last year of \$1.6bn. An official for Owens-Illinois said the company considered that a combination of the two companies, which would benefit from Owens' proprietary technology, could develop a very competitive glass container business.

This would boost the ability of glass to compete against other materials, particularly in the beer and soft drinks market, where glass has faced a tough job to remain competitive in recent years, he added. Both companies also have plastics and metals packaging businesses.

Owens-Illinois believes this is the first instance of a company, recently gone private, making a bid for a

major public company. Owens-Illinois went private after it accepted an offer earlier this year from Kohlberg, Kravis & Roberts, the investment firm which specialises in taking companies private.

Brockway's share price was up \$19 to trade just below the offer price at \$58 1/2 yesterday morning.

As part of the merger agreement, Brockway will grant Owens-Illinois an option to buy 2.5m shares, or 18.5 per cent of the outstanding shares, at \$80 a share.

Brockway also agreed that if the merger is approved and the company is acquired by a third party, it would pay Owens a fee of \$37.5m.

Crownx's Mercantile counter-bid thwarted

By David Lascelles in London

CROWN, the Canadian financial services and health care company, was thwarted yesterday in its last minute attempt to intervene in British & Commonwealth's takeover of Mercantile House.

The Takeover Panel, the voluntary body which regulates the City of London's takeover activity, gave a ruling which prevented Crownx from going ahead with a controversial counter-offer for the wholesale broking units of Mercantile House which B&C intends to spin off.

As a result, Crownx's bid lapsed, and Crownx tendered its 14.9 per cent holding in Mercantile House to B&C which now intends to complete the takeover as soon as possible. B&C said it was delighted with the ruling. Mr Gary Klesch, the owner of Quadrex, the securities firm which had already made an agreement to buy the wholesale broking businesses, was not immediately available for comment. But he had previously denounced the Crownx offer as "a bribe".

The Panel, which met in urgent full session yesterday morning, issued a detailed five page statement last night which concluded that the deal between B&C and Quadrex should go ahead. It also absolved Mercantile House from holding a special shareholders' meeting to approve the deal. This meeting, which was required by the Takeover Code, was scheduled for next Monday.

Crownx had offered £250m (\$456m) for Mercantile's wholesale broking units, the same as Mr Klesch. However in a move believed to be unprecedented it also offered to pay Mercantile shareholders 10p a share if it was allowed to buy the businesses instead of Mr Klesch.

Anatole Kaletsky in New York looks behind the scenes at Coca-Cola's foray into Hollywood

Puttnam exit stirs Coke's critics

IT SEEMED a bit implausible from the beginning. Applying the principles of scientific marketing to tame the wildly unpredictable financial behaviour of the Hollywood film business, seemed at first bluish like the epitome of management-school hubris.

Nevertheless, when Coca-Cola bought Columbia Pictures in 1982 Wall Street and Hollywood alike were willing to give the merger the benefit of the doubt, once they had recovered from the initial shock of the acquisition's price-tag.

The profits from Columbia's television business were soaring and the value of its movie library was growing at an impressive rate. If Columbia's movie producers were failing to turn out the block-buster successes on which Hollywood's fortunes are built, Coca-Cola's share price was still doing splendidly, in part at least because of the high-growth image which the glamorous entertainment divisions had grafted onto the steadily profitable soft drinks cash machine.

Some analysts even began to speculate that the world's most successful marketing company had really cracked the challenge. Perhaps it had found a way of "selling" movies like soda-pop and thereby turning film entertainment into a growing but reliable money earner instead of the financial roller-coaster that Coca-Cola's generally can-

stions shareholders had initially feared.

Yesterday the wheel came full circle back to scepticism with the announced departure of Mr David Puttnam, the distinguished British film producer whom Coca-Cola brought in to run Columbia's flagging movie operations just over a year ago.

Even more than the decision announced by Coca-Cola two weeks ago to merge Columbia with TriStar Pictures and spin it off as a separate company, the thinly-disguised sacking of Mr Puttnam was an admission that Coke's original strategy had gone badly wrong.

The spin-off of the entertainment business could, on its own, be presented as a lucrative financial manoeuvre which would benefit both the parent company's balance sheet and its shareholders at a time when Wall Street puts a much lower value on conglomerates than on "pure" companies, which devote themselves to one business at a time.

In purely financial terms, analysts have judged Coca-Cola's foray into the entertainment business to have been a perfectly respectable investment, yielding after-tax profits of around \$300m over five years on a total cash investment estimated at around \$745m.

Mr Puttnam's removal, however, is a reminder that the profits have



David Puttnam

been as much a consequence of Coca-Cola's good luck as its good judgement. In particular, it shows that very little has come of the originally-trumpeted strategy of applying solid conventional business practices to the mercurial and self-indulgent world of Hollywood.

Coke's initial hope was to make its mark on the film business with its consummate skills at marketing. Coke believed that it could use its buying power and tactical experience in the advertising business to cut Columbia's marketing costs and thereby automatically boost the profitability of its films.

It soon found, however, that its experience in selling soft drinks,

was little use in attracting audiences. As Mr George Thomson, an analyst at Prudential Bache points out, "soft drinks are all basically the same, so the key to success of a soft drink is the strength of the marketing support behind it."

But movies are all different, as Coke found to its cost. Mr Puttnam's appointment represented the next stage in Coke's attempt to turn Columbia around by conventional business means - in this case by bringing costs under control.

From the beginning Mr Puttnam's main problem in Hollywood has been his insistence that successful films could be made with relatively low budgets and without indulging too many of the whims and monetary ambitions of big name superstars. This was a view that found natural allies at Coca-Cola headquarters in Atlanta, where management was naturally inclined to think that a flagging business should try to improve its performance by cutting costs, rather than boosting them.

With Columbia now under the control of TriStar's chairman, Mr Victor Kaufman, the studio will not, of course, be trying to increase spending. But the economies are not likely to be attempted quite so controversially and prominently at the expense of stars like Bill Cosby, Warren Beatty and Sylvester Stallone.

Heileman rejects Alan Bond bid

BY OUR FINANCIAL STAFF

G HEILEMAN BREWING, the fourth-largest US brewer, yesterday rejected the \$1.2bn unsolicited takeover bid from Australia's Mr Alan Bond, but left the door open for talks with the Australian brewer and resources magnate.

The move by Milwaukee-based Heileman's came as Wisconsin legislators finalised passage for a pair of anti-takeover proposals prompted by Mr Bond's bid. The State Governor, Mr Tommy Thomp-

son, was expected to sign the measures yesterday.

Heileman said its board unanimously determined that the \$38-a-share tender offer launched on September 4 by Amber Acquisition, a unit of Bond Corporation Holdings, Australia's second-largest brewer, was "inadequate and is not in the best interests of the company or its shareholders."

In language that is becoming a

hallmark of takeover defences, Heileman said it had instructed Merrill Lynch Capital Markets, its financial adviser, to explore alternatives to enable shareholders to realise the full value inherent in the company.

The board also determined not to redeem Heileman's outstanding "poison pill" preferred stock purchase rights in response to the offer.

FAI buys 19.9% share in Renouf

BY ANDREW MARSHALL IN LONDON

FAI, Mr Larry Adler's Australian insurance and financial services organisation, has taken a 19.9 per cent share in Renouf, the New Zealand banking, industrial and property group previously controlled by Mr Bruce Judge.

Mr Judge has resigned as chairman, but will stay on the board.

The move follows a period of uncertainty generated by the decision of Ariadne, Mr Judge's Australian

flagship group, to reduce its holding in the company from 50 per cent to 14 per cent, and to transfer the balance to Judge Corporation, Mr Judge's New Zealand investment vehicle, and an overseas associate.

FAI has now bought 52m shares, with Sir Francis Renouf the company's founder, taking a further 15m to increase his holding to 37m.

DFC Ventures, the equity investment arm of DFC New Zealand, the

government-owned financial group, will buy 8m. Sir Francis has been elected chairman.

Analysts say that the resolution of Ariadne's position and the arrival of FAI are positive developments for Renouf, which is considered to be undervalued at its current price of NZ\$3.12 a share. Renouf recorded profits of NZ\$150m (US\$96m) for the year ended June 1987.

MCA may build Europe theme park

MCA, the Los Angeles-based entertainment group, has examined the possibility of building a theme park in Europe at an estimated cost of more than \$500m. Mr Charles Paul, vice president, told Reuters in Los Angeles.

"We have been looking at a lot of opportunities in Europe," he added. MCA, which has recently been attempting to compete with Walt Disney in the theme park business, had narrowed down the sites to either Paris or the Spanish coast.

MCA competes with Disneyland in southern California with its motion picture studio tour in Universal City near Los Angeles.

The company also plans to complete a theme park on a 440 acre site in Orlando, Florida in the autumn of 1988. The park would compete with the Disneyworld and Epcot Centre complex, also in Orlando.

"We do very well in the same places as Disney," Mr Paul said. "We've recognised as the only world class alternative to them."

Earlier this year, Disney signed agreements with the French Government involving a planned Euro-Disneyland theme park at Marne-la-Vallée, about 20 miles east of Paris. The project has an estimated overall cost of about \$1.6bn and Disney expects to open the complex in 1992.

Mr Paul said it was not unreasonable to expect that MCA's European park could be opened the same year. The project would be paid for through stand-alone financing arrangements.

Power Corp in joint venture

By Robert Gibbens in Montreal

POWER CORPORATION of Canada, the financial services and industrial group controlled by Montreal financier Mr Paul Desmarais, is joining Imasco and several other large companies in Sutter Hill Ventures, a venture capital partnership investing in high technology firms mainly in the US and based in California.

European Home Products PLC

has acquired the operations of

Scholl International

from

Schering-Plough Corporation

The undersigned acted as a financial advisor to European Home Products PLC in this transaction.

MORGAN STANLEY INTERNATIONAL

August, 1987

Determined banking throughout 1987

Highlights of Bayerische Vereinsbank Group as of June 30, 1987



Bayerische Vereinsbank AG
Head Office
International Division
Kardinal-Faulhaber-Strasse 1
D-8000 München 2
Telex 52 861-0 bv d

BAYERISCHE VEREINSBANK

Lion in front of the former Munich Royal Palace

Our international network: Athens, Atlanta, Beijing, Budapest, Caracas, Chicago, Cleveland, Grand Cayman, Hong Kong, Johannesburg, London, Los Angeles, Luxembourg, Madrid, Manama (Bahrain), Milan, Modena, New York, Paris, Rio de Janeiro, São Paulo, Tehran, Tokyo, Zurich.

BARCLAYS de ZOETE WEDD IN TOKYO.

Barclays de Zoete Wedd is pleased to announce that from September 21st its newly licenced branch in Tokyo will be trading in Japanese and foreign securities. Barclays de Zoete Wedd is one of the larger foreign securities houses in Japan, trading from new premises in:

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Chiyoda-Ku, Tokyo 100.
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August 1987

1,100,000 Shares

Theragenics Corporation

Common Stock

The undersigned acted as Introducing Broker for Theragenics Corporation, in arranging the private placement of these securities with selected European institutional investors.

E. F. Hutton & Company (London) Limited

NOTICE TO HOLDERS OF

Inter-American Development Bank
15,000,000,000 Japanese Yen 8 1/4% Japanese Yen Bonds of 1981, due November 1, 1983
Japanese Yen 15,000,000,000 7 1/4% Bonds of 1983, due 15th November, 1993
15,000,000,000 Japanese Yen 7 1/4% Japanese Yen Bonds of 1984, due September 28, 1994

International Bank for Reconstruction and Development
Japanese Yen 25,000,000,000 6 1/4% Yen Bonds of 1985, due April 23, 1990 (Eighth Issue)
Japanese Yen 20,000,000,000 8 1/4% Yen Bonds of 1981, due February 20, 1991
Japanese Yen 20,000,000,000 8% Yen Bonds of 1983, due March 4, 1993
Japanese Yen 20,000,000,000 7% Yen Bonds of 1984, due April 27, 1994 (Sixth Issue)
5 1/4% Yen Bonds due August 7, 1996 (Tenth Issue)

New Zealand
15,000,000,000 Japanese Yen 8 1/4% Japanese Yen Bonds of 1981, due 15 December 1987
15,000,000,000 Japanese Yen 7 1/4% Japanese Yen Bonds of 1983, due 15 September 1989
15,000,000,000 Japanese Yen 7 1/4% Japanese Yen Bonds of 1984, due 20 November 1990

NOTICE IS HEREBY GIVEN that The Bank of Tokyo (Holland) N.V., acting as Paying Agent for the above mentioned bonds or notes, has moved its office. The new address is:

World Trade Center
Strawinskylaan 565
1077 XX Amsterdam

Dated September 18, 1987

The Bank of Tokyo, Ltd.
as Fiscal Agent

This advertisement appears as a matter of record only

Biotechnology Venture Fund S.A.

has raised

U.S. \$50,000,000

through a private placing for investment
in biotechnology and health care

Investment advisers:

Abingworth Management Limited

26 St James's Street, London SW1A 1HA
Telephone: 01-839 6745 Telex: 946066 Fax: 01-930 1891

September 1987

Spanish financial group buys bank shares

By Tom Burns in Madrid
Grupp March, the prestigious Spanish Financial group whose banking arm is associated with the National Westminster UK clearing bank, has in recent trading sessions on the Madrid bourse bought up some 2 per cent of Banco Hispano Americano, the fourth largest domestic bank in deposit terms.

The March group thus becomes one of Hispano's major shareholders, although it is well short of the 10 per cent held by Comersbank which controls the West German bank to a seat on Hispano Americano's board. The admission came amid reports that a second company, Ren Investment, which is a Spanish subsidiary of the Swiss-based financier Marc Rich, had also bought 2 per cent of Hispano Americano.

The bank said conversations had recently taken place between Hispano Americano and the Marc Rich group but that the alleged share buying spree by the latter had not been detected by the bank.

Ren Investment declined to comment on the reports. The newly revealed March interest in Hispano Americano was characterised in Madrid banking circles yesterday as being "friendly".

Hispano Americano, having overcome troubles in 1984-85 which forced it to withhold dividends and which brought in a new management team, has advanced steadily this year. It posted first half pre-tax profits of Pta 5.5bn (\$70.4m), a 10 per cent increase on 1986.

The flurry created over bulk share buying in Hispano Americano comes on the heels of operations by the Kuwait Investment Office which has acquired a 6.5 per cent share in Banco Central, Spain's largest private bank, in deposit terms, and a 4.6 stake in Banco de Vizcaya, the sixth ranking bank.

Campsa in drug store venture with 7-Eleven

By Our Madrid Correspondent
CAMPESA, the Spanish petrol pump company whose monopoly status formally ended with Spain's entry into the EC, has anticipated the impending challenge of European competition by announcing a joint venture with the Southland group, of the US, that will introduce the 7-Eleven petrol station drug store chain to Spanish motorists.

The venture, valued at PTA 5bn (\$41m), will give Campesa a 60 per cent stake. It involves the creation of 200 shopping and cafeteria complexes—mostly concentrated on motorways and city bypasses—by 1992, the year when EC companies will be able to operate without restriction in Spain.

Southland has previously entered similar ventures with Mobil and Shell in the US and in Canada. The agreement with Campesa marks its first retailing operation in Europe.

The Molson Companies Limited
(Incorporated with limited liability under the laws of Canada)
U.S. \$20,000,000 Floating Rate Notes
Issue date 18th March 1987
Maturity date 18th March 1992
For the three month interest period from 18th September 1987 to 18th December 1987 the rate of interest on the notes will be 7 1/8% per annum. The interest payable on the notes will be U.S. \$9,558.16 per U.S. \$500,000 note.
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COMALCO FINANCE LIMITED
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Guaranteed Floating Rate Notes due 1991
Notice is hereby given that for the interest period 18th September, 1987 to 18th December, 1987 the interest rate has been fixed at 7 1/8%. Interest payable on 18th December, 1987 will amount to U.S. \$194.32 per U.S. \$10,000 Note.
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London

INTL. COMPANIES and FINANCE

CCF turns in buoyant first-half net earnings

BY GEORGE GRAHAM IN PARIS

THE recently privatised French banking group, Credit Commercial de France (CCF), made a net profit of FF 214.5m (\$35m) in the first half of 1987 and expects a "satisfactory increase" in earnings for the year.

CCF's first-half earnings were 19 per cent more than in the corresponding period last year, but no proper comparison is possible because of the change in the group's structure, which absorbed the former holding company into the main operating arm.

Mr Michael Peberenc, president of CCF, said the group

had limited the development of its activities in the debt markets and reduced its intervention in the Euromarkets because of the international outlook for interest rates and exchange rates.

CCF's traditional credit activities, however, grew substantially, with lending to French customers rising more than 10 per cent from the same period of 1986.

Medium and long-term corporate lending, up 19 per cent, picked up again from its trough, while personal loans,

up 23 per cent, continued to grow strongly.

Commissions on banking and financial services rose substantially and accounted for more than a third of group net banking income, but margins on lending narrowed.

Group gross operating profits rose by an estimated 15 per cent, to FF 949.9m, with net banking income up 7.6 per cent and general expenses up 4.9 per cent.

The bank raised its customer and country risk provisions by 9 per cent, to FF 604m.

AEG expects to hold profits

BY OUR FRANKFURT CORRESPONDENT

PROFITS OF AEG, the West German electrical and electronics company which is controlled by Daimler-Benz, will not show any dramatic improvements over the next few years, Mr Heinz Duerr, the chairman, said.

At the company's plant in Konstanz, south-west Germany, Mr Duerr said AEG expected profits in 1987 to be similar to those of last year. In 1986, the company produced an operating result of DM 130m

(\$71.8m) on turnover of DM 11.3bn.

This year, turnover would grow to just under DM 12bn, Mr Duerr said. While domestic business had increased, exports were down. The export order inflow in the first eight months was 15 per cent lower and export sales showed an 8 per cent fall.

The total order inflow up to August was 4 per cent lower, at DM 7.75bn, although at DM 7bn turnover was 8 per cent higher. While exports were down, business by AEG

operations outside Germany had improved, especially in Austria, Turkey and Argentina.

Mr Duerr said that AEG would continue to use profits to bolster its financial position. Thus there would again be no dividend for this year.

In 1986, AEG, which was nearly bankrupt in the early 1980s, reported no net profit, having made special provisions to strengthen the balance sheet.

Mr Duerr gave no indication as to what level of profit he was aiming for and when dividends might again be paid.

Akzo confirms deal with Sara Lee

BY LAURA RAUN IN AMSTERDAM

AKZO, the Dutch chemicals and fibres group, confirmed yesterday that it is selling its consumer products division to Sara Lee Corporation of the US, a leading consumer goods company, for about £1.25bn (\$615m).

The consumer products division, which is jointly owned with Royal Dutch/Shell, is to be merged with Sara Lee's Dutch subsidiary, Douve Egberts, a leading purveyor of coffee, tea and tobacco.

The merged company would have annual turnover of £1.5bn and employ 11,900, although about 4 per cent of the

jobs would be trimmed during the next two to three years.

Akzo said the possible sale would be in line with its strategy to concentrate on its mainly technology-oriented core businesses. In recent years the company has focused increasingly on specialty chemicals, advanced fibres, pharmaceuticals and specialty coatings.

The company said the proceeds of the planned sale would be viewed as an extraordinary gain to compensate for the good will paid earlier for acquisitions. It would not affect 1987 dividends.

Last month Akzo completed the purchase of the specialty chemicals business of Imperial Chemical Industries' Standard Chemical company for \$625m, the biggest acquisition in the company's history.

The consumer products division is 51 per cent owned by Akzo, which manages the activities, and 49 per cent by Royal Dutch/Shell, the Anglo-Dutch oil giant.

It sells food, health care items and cleaning agents in western Europe under brand names such as Maylands, Dayle Reck, Zwalst and Biotex.

Finance chief takes top job at Continental

By Andrew Fisher in Frankfurt

CONTINENTAL, the West German tyre and rubber products company which is expanding rapidly overseas, yesterday announced the appointment of a new chairman to replace Mr Robert Werner, who is joining the Daimler-Benz board.

Mr Horst Urban, 51, currently finance director, will move to the top job on November 1, when Mr Werner joins Daimler. He will retain the finance portfolio, but shed direct responsibility for purchasing and associate companies.

This appointment of Mr Urban to replace Mr Werner, also 51, was generally expected. He had been a candidate for the chairmanship five years ago, when Mr Werner was appointed. Moving up to become deputy chairman is Mr Wilhelm Borgmann, 58, who is in charge of tyre technology.

Mr Werner will be the board member responsible for Daimler's hard-pressed truck sector. He was appointed to Daimler as part of the management reshuffle which led to the controversial replacement of chairman Mr Werner Breckschwerdt by Mr Eberhard Reuter.

Continental's profits have recovered strongly after its difficult period in the 1970s. It has recently moved deeper into the US with the \$650m purchase of General Tire.

Belgian stores group ahead

By Tim Dickson in Brussels

GS-INNO-BM, Belgium's largest retailing group, announced yesterday that sales in the six months to July had inched ahead to Bfr 65.9bn (\$1.68bn), from Bfr 65bn in the corresponding period last year.

The company, which did not reveal any profit figures for the period, commented that the increase was due to a reorganisation. This increase corresponds to the budget and long-term development plan.

A breakdown of sales shows a fairly even performance. Specialty retailing and franchising did slightly better than last year but the traditional department store business was 3 per cent lower.

U.S. \$150,000,000
MARINE MIDLAND BANKS, INC.
Floating Rate
Subordinated Notes Due 2009

Interest Rate	7 1/8% per annum
Interest Period	18th September 1987 18th December 1987
Interest Amount due 18th December 1987	U.S. \$10,000 Note U.S. \$199.06 per U.S. \$50,000 Note U.S. \$995.31

Credit Suisse First Boston Limited
Agent Bank

U.S. \$75,000,000
Banco Mexicano Somex S.N.C.
Floating Rate Notes Due 1991

In accordance with the provisions of the Fiscal Agency Agreement between Banco Mexicano Somex S.N.C. and First Interstate Capital Markets Limited, dated as of 4th September, 1986 notice is hereby given that the Rate of Interest for the next six month Interest Period has been fixed at 8 1/4% p.a. and that the interest payable on relative Interest Payment Date, 18th March, 1988 in respect of U.S. \$100,000 nominal amount of the Notes will be U.S. \$4,486.81.

Reference Agent
First Interstate Capital Markets Limited
18th September 1987

U.S. \$100,000,000
Takugin International (Asia) Limited
Guaranteed Floating Rate Notes Due 1994

Guaranteed as to payment of principal and interest by
The Hokkaido Takushoku Bank, Limited

Interest Rate	8 1/8% per annum
Interest Period	18th September 1987 18th March 1988
Interest Amount per U.S. \$10,000 Note due 18th March 1988	U.S. \$413.92

Credit Suisse First Boston Limited
Agent Bank

U.S. \$100,000,000
Arab Banking Corporation (B.S.C.)
Floating Rate Notes Due 1996

Interest Rate	8 1/4% per annum
Interest Period	18th September 1987 18th March 1988
Interest Amount per U.S. \$10,000 Note due 18th March 1988	U.S. \$417.08

Credit Suisse First Boston Limited
Agent Bank

NOTICE TO HOLDERS OF
NISHIMBO INDUSTRIES, INC.
U.S. \$10,000,000 2 1/8% per cent. Convertible Bonds Due 1995

NOTICE IS HEREBY GIVEN that THE YASUDA TRUST AND BANKING COMPANY, LIMITED, LONDON as a paying and conversion agent for the above-mentioned Bonds has changed its specified office as indicated below:

1 LIVERPOOL STREET LONDON EC2M 7NH

Dated September 18, 1987

Nishimbo Industries, Inc.
By: The Bank of Tokyo, Ltd.
as Debenture Agent

BAWAG
BANK FÜR ARBEIT UND WIRTSCHAFT A.G.
(Incorporated with limited liability in Austria)
U.S. \$40,000,000
Subordinated Floating Rate Notes due 1990

In accordance with the terms and conditions of the above-mentioned Notes notice is hereby given that the Rate of Interest has been fixed at 8.375% per annum and that the interest payable on the relevant Interest Payment Date, March 18, 1988 against Coupon No. 11 in respect of U.S. \$10,000 nominal of the Notes will be U.S. \$423.40

September 18, 1987, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank
CITIBANK

INTERNATIONAL COMPANIES and FINANCE

NTT share sale
set for November

BY IAN RODGER

THE NEXT tranche of 1.95m shares of Nippon Telegraph and Telephone (NTT), the Japanese telecommunications utility, will be sold by the Japanese Government between November 10 and November 12.

Japan's finance ministry (MoF) said yesterday that the price of the new shares would be fixed on November 9 at a level 8.5 per cent lower than the NTT closing price on the Tokyo Stock Exchange.

Based on yesterday's share price of ¥2,77m (\$18,370), the issue would be valued at ¥5,212m (\$36,440), making it by far the largest public share

offering ever, more than double the yield on the first 1.95m shares sold late last year by the Government.

Some analysts have expressed fears in recent days that such a large demand for funds in the market might trigger a rise in interest rates.

Subscriptions for the new shares will be accepted from October 9 from some 250 securities firms. Foreign securities houses were not allowed to participate in the first issue, but this time, 35 foreign houses will be allocated 4.5 per cent of the issue.

Queensland broadcaster
buys Brisbane TV station

BY CHRIS SHERWELL IN SYDNEY

A QUEENSLAND regional broadcasting company, which has made its mark in Britain through interests in radio stations, yesterday became the latest purchaser of a major Australian metropolitan television station.

Darling Downs Television paid A\$12.5m for Brisbane's TVQ-0 station, acquiring it from Universal Telecasters, part of the business empire controlled by entrepreneur Mr Christopher Skase.

Mr Skase put the station on the market after buying the three Channel Seven stations in Brisbane, Sydney and Melbourne from the Fairfax group for A\$780m. Under ownership rules a company cannot own two stations in one centre.

For Darling Downs, which will pay an A\$25m deposit now and the balance interest-free by July 1991, the purchase represents a significant expansion.

The group has a television station in Toowoomba, near Brisbane, and a stake in Rockhampton Television on the central Queensland coast.

The latest acquisition will result in a strong regional spread based on a foundation provided by the Brisbane station's links with the Channel Ten network.

Darling Downs is a significant investor in British commercial radio, with a large stake in the London-based news station LBC and interests in numerous other regional commercial stations.

In April the group also bought a stake in a British video production company which operates in the corporate video business.

Yesterday's deal nets Universal Telecasters a handsome profit. It bought the Brisbane television station in 1984 for A\$34m.

Manufacturing boosts
ANI profits to A\$67m

AUSTRALIAN NATIONAL Industries (ANI), an engineering and manufacturing company, has revealed an 18 per cent rise in operating profit after tax to A\$67.1m (US\$49.2m) in the fiscal year ended June 30 from A\$56.6m a year earlier, AP-DJ reports from Sydney.

Turnover rose 15 per cent to A\$1,460m from A\$1,270m. The profit includes ANI's

share of results of associated companies, but these were not detailed in the report. After accounting for extraordinary earnings, overall profit rose 25 per cent to A\$69.3m from A\$55.6m. ANI earned an extraordinary profit of A\$2.2m in the latest fiscal year, from selling some businesses. Earnings per share rose to 18.6 cents from 16.7 cents

Sony to acquire Fairchild plant

BY STEFAN WAGSTYL

SONY, THE Japanese electronics group, is to buy a microchip manufacturing plant in southern Japan, which was built three years ago by Fairchild, the US semiconductor group, Sony said the purchase was part of its plan to increase production of industrial electronics, thereby cutting its dependence on consumer electronics.

It is buying the plant from Schlumberger, the French oil services company and Fairchild's parent. Schlumberger recently agreed to sell Fairchild which has suffered losses ever

since it was acquired in 1979. The sale to Sony would rid Schlumberger of one of the last Fairchild assets it still owns. It announced an agreement to sell the bulk of the company this month to National Semiconductor, the leading US chip maker. The Nagasaki plant was not included in the planned deal.

Earlier this year, an agreed sale of Fairchild to Fujitsu of Japan was blocked by the US Government on security grounds. Sony said yesterday it was buying the Nagasaki factory, which employs 230

people, in order to expand its output of semi-conductor products.

The company, which expects to produce just ¥800m-worth (\$554m) of integrated circuits in the 1987-88 financial year out of Japanese total of nearly ¥2,600bn, would have found it difficult to expand output at its existing plants because of pressure from the Ministry of International Trade and Industry. MITI imposed informal controls on semiconductor makers in response to angry complaints from the US, accusing Japanese companies of dumping.

The Nagasaki factory only

assembles integrated circuits.

Sony intends to start producing semi-conductor components using machinery which is already installed. The factory produces 13m bi-polar integrated circuits each month—chips which are used extensively in controlling consumer and industrial audio-visual equipment. Sony said its own output of such circuits was "over 10m a month," both for use in its own products and for sale to other electronics manufacturers. Total Japanese output of bi-polar circuits is about 600m a month.

Investments lift Kirin result

BY OUR TOKYO STAFF

KIRIN BREWERY, Japan's biggest beer maker, has produced a 7.6 per cent increase in interim pre-tax profits to ¥46.98bn (\$34.36m), thanks to bigger profits from Zaitech, the controversial investment of surplus funds in financial markets.

The risks involved in Zaitech were highlighted last month when Tetsuo Chemical Industries, a specialty chemicals maker, was forced to turn to its bankers for a financial rescue after it suffered heavy losses trading stocks and bonds.

Kirin's results emphasise the importance of Zaitech profits to many companies. The brewer's operating profits rose just 0.7 per cent, a fraction of the increase in the pre-tax figure.

Kirin is suffering from fierce competition in the beer market, where its sales rose only 4.2 per cent in the six months to the end of July, compared with an overall increase in the market of 9 per cent.

Kirin's profits are also being held back by increased spending on research and development in

pharmaceuticals, into which the company is diversifying.

Anticipating further intense competition in the second half, Kirin forecast modest profit and sales increases for the year.

For the first half, sales were ¥686bn, against ¥651bn, net profit was ¥16.9bn against ¥15.8bn and the dividend was unchanged at ¥3.75. For the full year, the company forecasts sales of ¥1,270bn, pre-tax profit of ¥81bn, up from ¥79.3bn and a dividend of ¥7.5 against ¥9.

Gold Fields to
split shares in
five offshoots

By Our Financial Staff

GOLD FIELDS of South Africa is proposing to split the shares of five South African subsidiaries later this year to improve marketing prospects, according to a statement issued in New York by Consolidated Gold Fields, which owns a small percentage of the company.

Analysts in New York said the move was probably a part of a continuing restructuring of South African activities.

Cons Gold said shareholders will be asked to vote on the plans at their respective annual meetings.

Under the plan:

- Issued shares of Doornfontein Gold Mining would increase to 40m from 16m while authorised shares would rise to 45m from 10.5m.

- Issued shares of Driefontein Consolidated would rise to 204m from 102m and authorised shares would increase to 208m from 116m.

- Issued shares of Libanon Gold Mining would rise from 8m to 40m and authorised shares to 45m from 8m.

- Issued shares of New Witwatersrand would rise to 23.1m from 11.6m and authorised shares to 30m from 12m.

- Issued shares of Ventersburg Gold Mining would rise to 20.2m from 5.1m and authorised shares to 25m from 8.1m.

The changes would result in an increase in capital for each subsidiary except Driefontein where there would be no change. Gold Fields listed various dates in November and December for listing shares and annual meetings.

Commodity dealer moves ahead

HIGHLANDS AND Lowlands, a Malaysian commodity and plantations concern, said pre-tax profit for the first six months of the year climbed 61.1 per cent to 13.5m ringgit (\$2.55m) from 8.4m ringgit in the same period of 1986, AP-DJ reports from Singapore.

The company said operating profits in the period surged to 8.9m ringgit from 592,000

ringgit in the previous half year, but investment income dipped 42.2 per cent to 4.5m ringgit from 7.6m ringgit. With little change in taxes and no extraordinary items of any significance, attributable profits were 9m ringgit, up 86.6 per cent from 4.8m ringgit in the 1986 period.

The company attributed the improved earnings picture to higher prices obtained for all its commodities with the exception of cocoa.

The company also said increased production in the second half will be counterbalanced by lower investment income, but nevertheless predicted a further improvement in profit during the period.

Brierley Investments in cement deal

BRIERLEY INVESTMENTS (BIL) of New Zealand has bought the Richwhite family interests in cement, transport and concrete for an undisclosed sum. Brierley reports from Wellington.

Mr Paul Collins, BIL chief executive and Mr Ken Bowell,

managing director of the Richwhite's David Lloyd Group, said that the Commerce Commission had approved the sale.

The statement said the sale followed the recent disposal to W. Stevenson and Sons of the David Lloyd interest in Auckland concrete operator United

Concrete and completes the Richwhite's planned divestment from the concrete sector. The David Lloyd group has retained its coal industry interests.

Brierley's fully-owned subsidiary Winstonons recently took full control of former listed company Golden Bay Cement.



COMPAGNIE FINANCIERE DE SUEZ
BANQUE INDOSUEZ
FRENCH BANK
OF SOUTHERN AFRICA LIMITED

NOTICE
TO FORMER PERSONNEL

The Government of the Republic of France have announced the intended privatisation of Compagnie Financière de Suez, to take place at the beginning of October 1987.

Under the terms of the offer for sale, previous employees of members of the Group with a cumulative service of 5 years or more are entitled to certain preferential terms which include a discount on the issue price.

If you have previously served a total of 5 years with Banque Indosuez, French Bank of South Africa or any other member of the Group mentioned below and wish to obtain further information, please contact:

Mr David Grove,
Manager, Human Resources,
Banque Indosuez,
52-62 Ilshoppsgate,
LONDON EC2N 4AR
Telephone 01-638 3600

CAMPAGNIE UNIVERSELLE DU CANAL MARITIME DE SUEZ
(Suez Canal Company)
SUEZ FINANCE COMPANY (U.K.) LIMITED
BRITISH & CONTINENTAL BANKING COMPANY LIMITED
BANQUE DE SUEZ (U.K.) LIMITED
CREDIT FONCIER D'ALGERIE ET DE TUNISIE
SOCIETE CENTRALE DE BANQUE
BANQUE DE L'INDOCHINE
BANQUE DE L'INDOCHINE ET DE SUEZ
INDOSUEZ BANQUE TRAINING CENTRE LIMITED
WIL CARR LIMITED



Midland Bank plc

U.S.\$500,000,000
Undated Floating Rate Primary Capital Notes
Interest 100 per cent

Notice is hereby given that the Rate of Interest has been fixed at 8.375% p.a. and that the interest payable on the relevant Interest Payment Dates, March 18, 1988 against Coupon No. 5 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$423.40.

September 18, 1987, London
By: Citibank, N.A. (CSI Dept.), Agent Bank CITIBANK

The Hammerson Property Investment
and Development Corporation plc

Received debt ratings of

P1 (Short Term)

and

A1 (Long Term)

from Moody's Investors Service

Morgan Guaranty, subsidiary of

J. P. Morgan & Co., acted as financial advisor to

The Hammerson Property Investment

and Development Corporation plc

during the rating process

JPMorgan



PRUDENTIAL

Prudential Corporation plc

Received a

long-term debt rating

of

AAA

from Standard & Poor's Corporation

Morgan Guaranty, subsidiary of

J. P. Morgan & Co., acted as financial advisor to

Prudential Corporation plc

during the rating process

JPMorgan

INTERNATIONAL CAPITAL MARKETS

Sweden launches \$350m issue as market calms

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

SWEDEN LAUNCHED a \$350m five-year bond into the Euro-dollar bond market yesterday, as the US dollar bond market showed signs of stability after Wednesday's choppy movements.

After deciding not to go ahead with the issue on Wednesday, Credit Suisse First Boston launched it at 59 basis points over the equivalent US Treasury, giving it a coupon of 9 1/2 per cent and a price of 101 1/2.

The bonds, quoted at a discount less than its 1 1/2 fees in the grey market, were said to be fairly priced, although there was some lack of enthusiasm for the issue, much of it born out of the general lacklustre tone of the bond market and the fact that there was no shortage of five-year paper.

Nevertheless, CSFB said the issue, which had been expected for much of the week, had been syndicated in 50 minutes and the placement was going well.

CSFB said that the \$1bn three year issue the firm brought for Italy on Monday, priced at 60 basis points over the Treasury, was now out of the primary market and into secondary trading.

In the absence of CSFB support, the issue was still trading at 57 basis points over the Treasury, indicating the underlying strength of demand. CSFB said it had placed over three-quarters of the issue and there had been no significant underwriting costs.

The only other issue in dollars was a \$75m convertible

INTERNATIONAL BONDS

the company is trading at over a 25 per cent premium.

Salomon Brothers brought the latest of its sterling mortgage-backed securities deals, in the name of TWC Mortgage Securities No 3. With a final maturity of 2015 and a next average life of five to seven years, the issue carries an initial spread over the London interbank offered rate of 1 point, rising to 1 point on the 10th anniversary.

A convertible for A. L. Williams of the US was increased to \$70m from \$60m, the coupon fixed at 4.5 per cent and the conversion premium set at 2 per cent, agent broker Nivison Cantride said.

Traders said some of Wednesday's issues in New Zealand dollars had fared rather better yesterday, although the general level of demand from retail investors for such currencies had fallen.

Philadelphia opens floor for evening trading

By Deborah Hargreaves in New York

THE PHILADELPHIA Stock Exchange joined the rush among US futures and options exchanges to capture the Eastern business when it opened its floor for an evening trading session on Wednesday.

The exchange is trading three of its highly successful foreign currency options contracts and accompanying futures in a 7pm to 11pm session. Volume on the Australian dollar, yen and D-Mark contracts reached some 2,500 lots in Wednesday's opening session in what Mr Nicholas Giordano, president of the exchange, described as a good start.

"I'm confident that it's the right idea," he said, "though it may be a year or two early."

Mr Giordano looked forward to the day when the floor in Philadelphia would be open round the clock. After trying to forge a link with the London Stock Exchange for over two years, he had all but given up on the idea of using that as a way to extend trading hours.

The exchange says it is now considering specific products suited to night trading, such as a New Zealand dollar options contract.

Next week the exchange will begin trading options on a new utility stock index comprising 20 blue-chip power company stocks.

So far, the only other US exchange to go ahead with a night trading session is the Chicago Board of Trade.

Simex considers options for yen and D-Mark

SINGAPORE INTERNATIONAL MONETARY EXCHANGE (SIMEX) is likely to introduce D-Mark and yen currency options next month, while Nikkei stock index average options may be introduced in November, sources report from Singapore.

Simex will introduce its first options contract, for Eurodollars, on September 23. The contracts will be traded initially without a mutual offset system, though Simex is discussing ways of installing one with the Chicago Mercantile Exchange.

Richard Waters on a world-wide headache for the revenue authorities

A taxing problem for global trading

THE TAXATION of profits on global securities trading is stretching the imaginative resources of a growing number of financial institutions and their advisers. It is also fast becoming one of the biggest problems for revenue authorities in every leading financial centre.

Until now, it has been relatively easy to pin down profits earned by banks in particular jurisdictions—and to identify where they have made tax-allowable losses. The occasional official crackdown—such as that under way in London, where the Inland Revenue is challenging banks' attempts to load bad debts onto their British subsidiaries—has done little to upset this calm.

That is likely to change. The problem arises with securities that are bought in one financial centre and sold in another. For instance, a parcel of shares bought in London during the day may be sold in Tokyo the same night. Yet the whole of the profit on the transaction cannot be attributed to either centre.

It is a familiar transfer pricing problem, given a new twist by the global nature of the securities business and the speed with which deals are done. Last year's deregulation in London has hastened the need for a solution, say the experts.

Mr Roger White, a London partner with KPMG, the accountants, says: "If you're dealing in tangible products, you can normally fix the price when they cross borders."

"Pricing procedures have grown up over the years, and have achieved a general acceptance. But financial transactions don't involve tangible products. The attribution of profit becomes much more difficult."

An added difficulty arises because most banks, unlike manufacturing companies, work through branch networks rather than separate national companies. Subsidiaries, which need to draw up separate

subject of hype than actual practice. But most banks already have arrangements for dealing around the clock, and so have begun to grapple with the tax issue.

The extent of each dealing room's authority to deal in the portfolio of an overseas associate is a key issue. If the authority is restrictive, it can justify claim to be acting as a broker, and take commissions on transactions it carries out.

'What happens if the book arrives with a loss in New York and a gain in Tokyo but no overall gain or loss? The parent would end up with a strange tax charge'

accounts for their operations, would already have tackled many of the questions when reporting national profit.

The arrival of true global trading—with a bank's entire portfolio moving from one financial centre to the next in an instant—could introduce the greatest complexities.

A tax expert with a UK bank said: "Someone who went the pure global route could conceivably have some real problems."

Yet the brain power that has gone into the deal may have arisen anywhere around the world. The "added value" that has given rise to the profit may have been produced from where the deal was officially done.

In these circumstances, the profits arising on a deal need to

allowing it a free hand over the portfolio, however, suggests that it should share in the profits—potentially undermining any commission arrangement in the eyes of the tax authorities.

Swaps pose a similar problem. Most swaps are recorded in the books of the parent bank, no matter where the deal was conceived. This is because parent usually has the greatest capital resources with which to back the deal.

Yet the brain power that has gone into the deal may have arisen anywhere around the world. The "added value" that has given rise to the profit may have been produced from where the deal was officially done.

In these circumstances, the profits arising on a deal need to

be attributed to the various regions that contributed to it. But a bank's assessment on the value of brain power exerted in, say, New York on a deal recorded in Tokyo may not be the same as that of the US Internal Revenue Service or the Japanese Ministry of Finance.

Internal methods of assessing the profits of each unit go some way to solving these problems. Dealers and others want their efforts to be recognised. Their bonuses may provide one pointer to the profits of each national unit.

Unfortunately it is not so simple. A dealer in one country who raises the finance to meet a loan made in another may make a profit on his part of the operation. Yet this is not directly related to the final overall profit to the bank of the series of transactions.

It has all the ingredients of a classic tax confrontation—financial institutions, claiming their accounting systems reflect commercial reality, while having more than a little interest in incurring profits where it hurts least, versus local revenue authorities, anxious to maximise their own tax take; and overseas tax authorities, equally anxious to make sure they are not losing out.

The tax authorities of the largest financial centres have yet to get together to discuss the problem. When they do, the political machinations could be intense: after all, the authorities are in competition with each other to tax the same items.

Japan to ease issuing rules

BY OUR FINANCIAL STAFF

THE JAPANESE Ministry of Finance has decided to allow more companies to issue bonds using a "proposal system" to choose among underwriting companies that submit competitive bids, our Financial Staff writes.

The new system is intended to allow borrowers to time bond issues to take advantage of market conditions and to remove some of the rigidities which have stunted the domestic bond market in recent years, driving Japanese corporate borrowers to the Euromarkets.

Such permission will be extended to Japan's nine electric

power companies next month, an MoF official said. The power companies were chosen because they are large and creditworthy borrowers.

Tokyo Electric Power said yesterday that it hopes to issue bonds under the new system in the near future, though the size and timing of the issues will depend on market conditions.

Under the new system, borrowers will ask securities underwriters to submit detailed bids outlining the coupon level and selling price for a corporate bond issue, and will then select the most favourable proposal.

Japanese securities companies—Nomura, Daiwa, Nikko and Yamachi—have taken turns as underwriters of corporate bond issues, while the issuing conditions have been decided in negotiations between the lead underwriter and the commission bank. Moreover, corporate bonds could only be issued on two days a month, usually around the 15th and 30th.

In 1986, Japanese industrial companies raised only ¥485bn in the domestic bond market, compared with ¥1,995bn abroad, according to the Bond Underwriters' Association of Japan.

Simex considers options for yen and D-Mark

SINGAPORE INTERNATIONAL MONETARY EXCHANGE (SIMEX) is likely to introduce D-Mark and yen currency options next month, while Nikkei stock index average options may be introduced in November, sources report from Singapore.

Simex will introduce its first options contract, for Eurodollars, on September 23. The contracts will be traded initially without a mutual offset system, though Simex is discussing ways of installing one with the Chicago Mercantile Exchange.

Ecu 'should become world's third currency'

By Quentin Peel in Brussels

THE EUROPEAN currency unit (Ecu) should become the third currency in the international monetary system, alongside the dollar and the yen, according to a leading Japanese banker.

To that end it must be developed and strengthened by the member states of the European Community, Mr Yasuaki Kashiwagi, chairman of the Bank of Tokyo, told members of the European Parliament yesterday.

He called for action by EC member states, including recognising the Ecu as an officially-accepted foreign currency, completely deregulating its use by Community residents, and turning the European Monetary Cooperation Fund (EMCF) into a lender of last resort to issue Ecu-denominated loans.

Mr Kashiwagi's proposals go well beyond the current state of thinking of EC central banks. The Ecu is based on a basket of EC currencies, and is already widely used to denominate Eurobonds and international credits, as well as as a central bank reserve.

His argument is based on the premise of an international loss of confidence in the dollar because of the deterioration of the US economy, the net external liabilities which he said would pass the \$1,600bn mark some time between 1990 and 1992.

He called for a change from the present dollar standard for the international monetary system to a system of multiple key currencies, which would consist 50 per cent of dollars, and the rest based on the yen and the Ecu.

Mr Kashiwagi said the Ecu was preferable to the D-Mark as the third element in this system because, as a basket of currencies, it offered greater stability and because West Germany did not seem eager to see the D-Mark develop into a global key currency.

He said there should be no problem for EC member states in recognising the Ecu as an officially accepted foreign currency, because it is already in effect a Eurocurrency in its own right.

Complete deregulation of its use by EC residents would promote its use in advance of the eventual day, somewhere in the future, when the EC realises its goal of unifying all its currencies.

Turning the EMCF into a lender of last resort, which would advance Ecu-denominated loans to all the participating countries, is considerably more daring than anything the EC bank governments are currently considering, claimed Mr Jacques Delors, the president of the European Commission, is convinced the move must eventually be made.

Finally, Mr Kashiwagi called for sterling to be brought into the exchange rate mechanism of the European Monetary System.

"As long as the pound remains outside the exchange rate mechanism and is allowed to float against the Ecu, the greatest merit of the currency—that is, stability—cannot be fully realised."

Montedison to raise \$800m

BY OUR EUROMARKETS CORRESPONDENT

MONTEDISON, the Italian chemicals concern, is raising \$800m in short-term finance to help fund the \$1.8bn share purchase which will give it control of Himont, the US polypropylene manufacturer.

The revolving credit, being arranged by Citicorp Investment Bank, carries a margin of 1 point over London interbank offered rates, and a commitment

fee of 1 per cent. Its initial maturity is 12 months, but it is extendible to 18 months.

It is expected that about half of the loan will be drawn, while the rest of the funds will initially be raised through existing bank lines and cash.

Swiss Bank Corporation International is also arranging a \$400m revolving credit over three years for Primex, US

financial services group. The facility includes an option for uncommitted short-term advances but the committed portion of the credit carries a margin over Libor of 35 basis points and a utilisation fee of five basis points if more than half drawn.

There is a commitment fee of 10 basis points on undrawn amounts.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on September 17

ISDOLLAR	Yield	Price	Change	ISDOLLAR	Yield	Price	Change
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00

OTHER CURRENCIES	Yield	Price	Change	OTHER CURRENCIES	Yield	Price	Change
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00

PLANNED BOND	Yield	Price	Change	PLANNED BOND	Yield	Price	Change
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00

NOTES	Yield	Price	Change	NOTES	Yield	Price	Change
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00

CONVERTIBLE	Yield	Price	Change	CONVERTIBLE	Yield	Price	Change
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00

OTHER CURRENCIES	Yield	Price	Change	OTHER CURRENCIES	Yield	Price	Change
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00
Abn-Amro Bank 7 1/2%	10.00	101.00	0.00	Abn-Amro Bank 7 1/2%	10.00	101.00	0.00

Arab Banking 5.00 97	102	95.00	95.00	0	-0.49	6.49	95.00	95.00	282.2	4.35
Asia Pacific 5.00 97	102	95.00	95.00	0	-0.49	6.49	95.00	95.00	282.2	4.35
Bank of Greece 6.00 97	102	95.00	95.00	0	-0.49	6.49	95.00	95.00	282.2	4.35
Bank of Tokyo Asia 5.00 97	102	95.00	95.00	0	-0.49	6.49	95.00	95.00	282.2	4.35
Calypso Asia 6.00 97	102	95.00	95.00	0	-0.49	6.49	95.00	95.00	282.2	4.35
China 5.00 97	102	95.00	95.00	0	-0.49	6.49	95.00	95.00	282.2	4.35
EBF 5.00 97	102	95.00	95.00	0	-0.49	6.49	95.00	95.00	282.2	4.35
EBF 6.00 97	102	95.00	95.00	0	-0.49	6.49	95.00	95.00	282.2	4.35
EBF 6.00 97	102	95.00	95.00	0	-0.49	6.49	95.00	95.00	282.2	4.35
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EBF 6.00 97	102	95.00	95.00	0	-0.49	6.49	95.00	95.00	282.2	4.35
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EBF 6.00 97	102	95.00	95.00	0	-0.49	6.49	95.00	95.00	282.2	4.35
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EBF 6.00 97	102	95.00	95.00	0	-0.49	6.49	95.00	95.00	282.2	4.35
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EBF 6.00 97	102	95.00	95.00	0	-0.49	6.49	95.00	95.00	282.2	4.35
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EBF 6.00 97	102	95.00	95.00	0	-0.49	6.49	95.00	95.00	282.2	4.35
EBF 6.00 97	102	95.00	95.00	0	-0.49	6.49	95.00	95.00	282.2	4.35
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EBF 6.00 97	102	95.00	95.00	0	-0.49	6.49	95.00	95.00	282.2	4.35
EBF 6.00 97	102	95.00	95.00	0	-0.49	6.49	95.00	95.00	282.2	4.35

دولت اسلامی

Poor showing in US hits Reckitt & Colman profit

BY DAVID WALLER

A flat performance from the US held back the advance in first half profits at Reckitt & Colman, the international food, drugs and toiletries group. At \$74.55m, pre-tax profits fell short of brokers' expectations, and the shares slipped 27p to close at 1085p.

Matters were complicated by the company's acquisition of its minority interest in Reckitt & Colman Australia. This had the effect of depressing profits at the pre-tax level, which took some analysts by surprise.

However, after restating the results for the comparable period last year to take account of this change, growth in pre-tax profit worked out at 20.1 per cent. The 40.5 per cent tax charge was higher than expected, and as a result earnings per share grew by only 12.8 per cent to 39.17p.

In addition, the company acted to dampen speculation about the likely profitability of its anti-ulcer drug. It said that the first phase of trials into the polycarbonate polymer with H2 antagonists would be completed before the end of the year—judged that it was too early to judge the commercial significance of the product.

In North America, profits declined from \$9.3m to \$8.8m.

on turnover ahead by \$70m to \$205.9m. Profits would have been \$3.33m higher but for adverse currency movements.

Sir Michael Colman, the chairman of the company, said that performance in the US was depressed by the cost of integrating Durkee Famous Foods into its existing businesses.

Reckitt bought Durkee last year from Hanson Trust for \$120m (£73m).

Sir Michael explained that the process of integration was proceeding faster than he had originally expected. "The benefits of the merger are being increasingly confirmed," he said. "They will feed through to the bottom line in the second half."

Profits from Europe, excluding the UK, increased by 30.5 per cent to \$12.2m, on turnover up \$19.8m to \$172.9m, reflecting what Sir Michael said was the continued benefit of the acquisition of the Airwick Group in 1984.

In the UK, sales totalled \$182m (£178m) and profits were up by \$3.33m to \$25.93m. The rate of growth here was dampened by the inclusion in last year's turnover of what Sir Michael estimated to be \$10m from Gale's preserves, subsequently sold.

Melton cuts stake in Olives Paper Mill

By Steven Butler

Melton Medes yesterday reduced its stake in Olives Paper Mill below the 5 per cent level with the disposal of a 6.6 per cent 300,000-share stake in the company at a price close to \$2 per share.

Melton Medes, a private company headed by Mr Nathu Puri, last week failed in efforts to defeat a capital injection proposal for Olives by Mr Michael Kent, who now owns a majority stake in Olives and has become its chairman.

Mr Puri said it was not in the interests of Olives to have a large block of shares overhanging the market.

Quarto purchases

Quarto, the USM quoted hook packager, is to spend \$1.5m on two specialist magazines. These are "Construction Industry International" and "International Mining," which made pre-tax profits of \$305,000 on turnover of \$1.4m in the year to the end of July.

Buckley's accepts duo's new terms

BY NIKKI TAIT

Buckley's Brewery, the small Welsh brewer, has finally given up its fight for independence and is recommending an increased \$29.2m bid from the two James Ferguson directors, Mr Peter Clowes and Mr Guy Cramer.

The duo have agreed to raise their terms from 185p to 192p—their second increase—and yesterday Mr Cramer said that they hoped the offer could go unconditional next week. At present, they own 31.5 per cent of Buckley's shares; no figure has been disclosed for recent acceptances, but Mr Cramer suggested that their total control was "fairly close" to the 50 per cent mark.

Buckley's has been the subject of predatory attention ever

since entrepreneur, Mr Nazim Virani, picked up an 8.5 per cent stake two years ago. That was then purchased and added to by former stockbroker, Mr Tony Cole. Having failed to win a board seat, he sold his 27.8 per cent stake to the Cramer/Clowes team in June.

Mr Cramer confirmed yesterday that the duo intend to maintain production facilities in Llanelli, and that the brewery will "remain open in the foreseeable future and, in any event, for at least three years." No redundancies are foreseen.

After assessing Buckley's systems, the new team expects to hit the acquisition trail and is also anxious to introduce a larger line. Earlier Mr Cramer

had suggested a \$10m programme of acquisitions and investment over two years; yesterday, he indicated that the sums could be considerably larger.

Mr Cramer will join the board as an executive director, and Mr Clowes—currently running James Ferguson—as a non-executive. Sir Alun Talfun Davies, a barrister and former vice-chairman of BT, will become non-executive chairman, and Mr Colin Thomas remains managing director. Three other board directors will step down—including Mr Jasper Clutterbuck, a non-executive Whitbread director.

Mr Griffith Phillips, the outgoing chairman, denied yesterday that there had been pres-

sure from institutional shareholders to recommend. The change, he said, was due to the duo's assurances on the future and on the amount they were offering. It puts the price at \$29.2m, up from \$26.8m in 1986, on to a historic exit PE of 18.

An increase in the offer is being financed by a larger loan from Singer and Friedlander, the duo's advisers. About \$7m is being borrowed, but they intend to place back acceptances of 75 per cent in order to fund the listing, enabling this to be repaid.

Yesterday, shares in Buckley's traded beyond the offer price to 19p, with almost 1m traded.

Compagnie du Midi's offer for Equity

By Nick Barker

Compagnie du Midi, the French insurance and industrial holding company, published yesterday its 24-page formal offer for Equity and Law of the British life assurance group.

Mr Bernard Pagezy, Com to be pagne du Midi's president, said the offer was "generous" and he found it "difficult to accept" that a price of 400p does DMI not fully value "Equity and Law."

The offer, which has a first closing date of October 8, values the British company at \$403m. Equity and Law rejected the bid last Friday. There is also a rival \$85p per share cash offer for Equity and Law from the New Zealand financier.

Compagnie du Midi's bid includes an offer of 85p per share in cash. Equity and Law's share price closed unchanged last night at 419p. Mr Pagezy said that if the takeover was successful, it would combine group "would have the financial strength and management skills to become a formidable competitor in the insurance markets of the European Community."

It's expected that the offer will be made in the current bid \$2.1m at year, and that to do it, it will be a one-time rapidly. But of ver of \$3.5m over of up to at a day, existing placing

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AIC makes 190p per share offer for Wills Group

BY STEVEN BUTLER

Australian Investors Corporation (AIC) yesterday issued a 190p-per-share general offer for the Wills Group, the financial services and import company, after raising its stake in the company to 31.8 per cent with a purchase of 1.1m shares from Mr R. L. Marsh, the Wills chairman. AIC previously held a 9.6 per cent stake.

Mr John Huckle, Wills finance director, said the share deal would allow for a closer co-operation between Wills Australian financial services operation and Clayton Robert, the Australian financial services group which owns 31.4 per cent of AIC. AIC is a listed Australian investment company.

Clayton Robert is a subsidiary of Tyndall Holdings, the UK financial services group. "The potential for the development of our Australian business is fantastic," said Mr Huckle.

Mr Huckle said that growth of the Australian financial services operation had been limited because of Wills' small size and that new opportunities

for diversification would now be available.

Wills shares shot up from 185p to 213p yesterday following the announcement, and Mr Huckle was uncertain about the response to the offer. Mr Christopher Spence, chairman of Tyndall Holdings, indicated the offer was in part a formality, although AIC was happy to acquire more shares.

The general offer was requested by the Wills board, after consultation with the Takeover Panel, and directors holding 2.7 per cent of the shares do not intend to take up the offer. Mr Huckle said, however, that the market for the shares has tended to be thin and that some shareholders may wish to realise their investment.

Due to health reasons, Mr Marsh will yield his position as chairman of the group to Mr Spence, and become non-executive deputy chairman. Mr Garnett Harrison, Tyndall's managing director, will become non-executive director of Wills.

DIVIDENDS ANNOUNCED

Absent Investments	0.4	Nov 9	0.15	0.4	0.3
APV Baker	8	Jan 7	7	19	19
William Baird	4.96	Jan 6	4.38	11.1	11.1
Brown Boveri Kent	1.5	Jan 4	1.25	3.5	3.5
Clarke Nickolls	1.1	Nov 16	1.05	2.15	2.15
Carah	1.6	Nov 16	1.6	4	4
Computer People	1.2	Oct 30	1.2	7.7	7.7
Desoutter Bros	2.7	Oct 28	2.5	7.7	7.7
Garton Engineering	1.95	Dec 1	1.95	18.16	18.16
Guinness	3	Nov 2	2.24	10.25	10.25
Laporte	4.4	Nov 10	3.8	8.7	8.7
Manders (Bldgs)	2.3	Nov 28	2.2	6	6
Mollins	2.5	Nov 28	2.2	18.5	18.5
Perry Group	2	Jan 7	1.65	23.5	23.5
Reckitt & Colman	7.5	Nov 9	6.75	3.33	3.33
RTZ	8	Nov 9	7	17.48	17.48
Sutherland	10.33	Nov 5	1.46	9	9
Tor Invest	11.93	Nov 12	2.75	1.6	1.6
Wolfschlaeger	4	Nov 13	2.5	4.5	4.5
Westpool	1.85	Nov 13	1.26	4	4
W Yorks Hospital	13	Nov 13	2.5	4.5	4.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issues. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. † Apportioned to 12 months (from 15-month period).

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THE PAST YEAR has seen Dalgety concentrate single-mindedly on growth opportunities in food. £71m has been raised from sales of businesses that do not fit the strategic plan, and £85m spent on acquiring new companies, principally in high value-added food products.

Of these, Golden Wonder gives us a major stake in one of the fastest-growing sectors in the UK: food market, crisps and snacks, and through the Dutch company, a bridgehead into the European snackfoods market.

Overall, Golden Wonder has contributed more than £8m trading profit for its nine months in Dalgety.

At the same time, progress has been very satisfactory within existing businesses, large and small. Spillers, for instance, has exceeded expectations in the fast-expanding petfoods market, increasing the combined volume sales of two key strategic brands, Winalof and Kattomest, by over 25%.

In all, Dalgety's food operations accounted for 47% of turnover and 4% of profit in 1987.

They now range from food ingredients and food manufacture in Europe and the United States, to fast-food distribution in North and South America, though this increasing focus 'on the housewife' has

not meant losing touch with the largest-standing business partner, the farmer. In agribusiness, turnover is up 12% to £30.8m, compared to £27.5m last year. Chief Executive Terry Pryce comments: "We are fit and lean and ready to move forward along our chosen route. The plans for Dalgety are very good."

For a full copy of our Annual Accounts, to be published next month, please write to Shareholder Relations, Dalgety's, 9 Hanover Square, London, W1R 9DA.

DALGETY

BUILDING OUR STRENGTH ON ALL THE RIGHT FOOD

UK COMPANY NEWS

Guinness rises to £151m at midway

the international Guinness group has announced a pre-tax profit of £151m for the first half of 1987 compared with £142m for the same period last year.

The group's earnings per share increased by 13 per cent from 8p to 9p for the first half of 1987. The group's net profit after tax and minority interest was £142m, compared with £135m for the same period last year.

The group's turnover for the first half of 1987 was £1,180m, compared with £1,150m for the same period last year.

Good on the motives behind Guinness' £293m deal with Schenley taking up the reins in the US market

Guinness yesterday was the focus of a six-hour battle in the US courts over the motives behind its £293m deal with Schenley Industries to acquire the US distributor of its Guinness brand.

The deal, which was approved by the US Federal Trade Commission, allows Guinness to take over the US market for its Guinness brand, which is currently distributed by Schenley.

The deal is seen as a major move by Guinness to expand its presence in the US market, which is one of its largest and most important.



Mr. Anthony Tennant, Guinness chief executive.

Mr. Anthony Tennant, Guinness chief executive, said that the deal was a "strategic move" to strengthen Guinness's position in the US market. He added that the deal would allow Guinness to "take full advantage of the opportunities" presented by the US market.

The deal is seen as a major move by Guinness to expand its presence in the US market, which is one of its largest and most important. The deal is also seen as a move to "strengthen Guinness's position in the US market" and to "take full advantage of the opportunities" presented by the US market.

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Sotheby's flotation likely this autumn

Sotheby's Holdings, privately-owned parent of the London-based auction house, may make a public share offering this autumn. The company is currently in a filing with the Securities and Exchange Commission in connection with a planned share option scheme for employees.

The company's share price closed at 367p down 8p on the day.

Share sales in Storehouse

Despite the silence from Mountleigh, the aggressive property company headed by Mr. Tony Clegg, over the Storehouse unit, a number of institutional investors are cutting their stakes in the retail group.

Yesterday, Baring Investment Management, Schroders Investment Management and Scottish Widows all disclosed small share sales—reducing their holdings to 0.95 per cent, 3 per cent and 1.76 per cent respectively.

RTZ beats expectations as earnings rise 21%

BY MIKE SMITH

Rio Tinto-Zinc, mining, energy and industrial group, yesterday exceeded market expectations when it reported first half attributable profits of £112.5m, a 21 per cent advance on the £93.3m of 1986.

The industrial sector, helped in particular by specialty minerals in the US, increased earnings by 30 per cent to £101m but energy was static at £10m and metals earnings declined £2m to £37m.

The industrial sector's advance means that it contributed 65 per cent of the group's attributable profits, up from 57 per cent last year. Metals provided 24 per cent, a five percentage point decline, and energy 11 per cent (14 per cent).

RTZ's industrial interests progressed in all major activities. Among the highlights was RTZ Borax, which substantially increased exports and showed earnings growth of 30 per cent. RTZ Cement performed "satisfactorily" in the UK with increased volumes and cost reductions compensating for the abandonment of the prices cartel.

In metals, aluminium earnings grew on the strength of higher prices but Palabora copper revenue was reduced by the rand and Hamersley's earnings were halved.

In energy, RTZ Oil and Gas production declined as did that of LASMO. Profits from Australian coal exports fell.

For the six months to June 30 RTZ Group earnings per share were 38.23p (30.07p). The interim dividend was lifted from 7p to 8p.

Perry 42% ahead to £2.6m

Perry Group, Ford main dealer, lifted pre-tax profits 42 per cent from £1.79m to £2.55m in the first half of 1987, on turnover 23 per cent ahead at £98.89m, against £80.09m.

The company said that since then, July had shown an improvement on 1986 and August had been a record month. While it should not be assumed the interim percentage increase would be reflected in the full year's results, an acceptable outcome was confidently predicted.

At the operating level, profits rose £470,000 to £2.81m, before interest payments of £265,000 (£549,000).

The figures included finance charges of £237,000 (£241,000) under leases, in compliance with SSAP 21.

● comment

Perry's Ford dealerships, according to chairman Richard Allan, are now mature. In other words, they've peaked. To keep the growth snowball going, Perry has got to go for acquisitions, and a deal which would add four Austin Rover dealerships, one Jaguar and one Land Rover to the group is close to completion.

Peugeot and Mercedes dealerships are also targeted, as well as more Volvo outlets. On the used motors side, profits are up 64 per cent. Estate agents, however, have disappointed. New management has been appointed and a decision on whether to expand or sell will probably be taken by year end. With a caution from Richard Allan that yesterday's 42 per cent pre-tax profits increase should not be assumed for the full year, shares closed 5p up at 315p. Assuming pre-tax profits for the year of £5m, that puts them on a reasonably valued prospective p/e of just under 15.

Independent

Independent, the Ivory and Sime managed investment trust, is to change its investment policy from that of a technology specialist to a more flexible policy of venture capital and suitable listed investments, without restriction as to industrial sector or geographical area.

Atlantic Assets, in which Independent owns 60 per cent of the equity shares, stated yesterday that it would not be liable for tax on the gain of £16.4m which arose when it made a forward sale in 1985.

MOTOR INDUSTRY

The Financial Times proposes to publish this survey on

Wednesday, October 21, 1987

For a full editorial synopsis and details of available advertisement positions, please contact:

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER



John Lewis Partnership plc

Department stores and Waitrosupermarkets

Consolidated unaudited results for the half ended 1 August 1987

	1987 £m	1986 £m	% change
Sales (incl. VAT)	798.2	712.3	+12
Trading Profit	53.8	45.8	+17
Interest	2.4	1.8	+48
Pension and Contribution	7.1	6.2	+13
Surplus available for preference dividend (after sharing and, subject to retention, for retentions)	44.3	38.0	+17

Sales profit
Sales encouragingly ahead of the original estimates and of national retail companies in both the department store (+13%) and Waitrose (+11%) divisions, with a useful contribution from new branches. Half year profit before tax increased by 17% and, as a result, is double the level of three years ago.

Profiting
Allocation between retentions and profit sharing is determined when the results for the full year are known. Preference dividends for the half year were £109,000 (£119,000).

For details of the results and/or the John Lewis Partnership please telephone 01-434 Ext 6221.

Pergamon

Pergamon Holdings, Mr Robert Maxwell's master company, has increased its stake in Henry Ansbacher, the merchant bank, from just under 5 per cent to 9.17 per cent.

Mr Maxwell is a major client of Ansbacher which said it welcomed his increased holding.

B. Matthews

On Tuesday, shares in Bernard Matthews fell 15p to 122p, not to 155p as reported in the comment in Wednesday's FT. At 122p, the shares were on a prospective p/e of approximately 17, assuming the company duplicates its 1986 profits in the current year.

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BARCLAYS de ZOEETE WEDD

September 1987

CHI buys Gripperrods for £30m via placing

via placing

By David Waller

CH Industrials, the holding company with interests ranging from trading chemicals to car sunroofs, is to buy Gripperrods International, a leading manufacturer of carpet grippers and flooring accessories for £30.5m to be raised via a vendor placing.

CHi plans to raise a further £2.5m, £2.1m of which will be used to buy DMI Holdings, a producer of components used in office furniture, and the balance spent on a number of smaller, as yet unspecified acquisitions. The total CHi's equity will expand by two thirds, creating a group with a market capitalisation of approximately £110m.

The acquisition of Gripper-

Grippebrooks is the UK's market leader in the supply of carpeting and flooring fixings for related carpets. It also makes a range of related products such as wallcovering and adhesive systems. The company is also developing specialist flooring chemicals and renderings sold already by Cementone Saver, a CH2I subsidiary.

Mr Tim Hearn, CGI's executive chairman predicted that Grippebrooks would make a profit of £2.1 million in the second half of the current year, against a restated £2.1m made the whole of last year, on £88.9m turnover.

CGI also announced that Grippebrooks had yet to derive the full benefits of its \$4.65m acquisition of KCI, a major competitor in June this year.

CGI has grown rapidly,

Its shares closed up 1p at 186p. There will be a claw-back facility for existing

lubricants and shampoos, constituting the main part of the specialist chemicals and toiletries. The remaining chemicals and toiletries sold already by Cementone Beaver, a CHI subsidiary.

Mr Tim Healey, CGI's executive chairman predicted that Gripperrods would make a profit of £2m in the second half of the current year, against a restated £2.1m made the whole of last year, on £18.9m turnover.

Mr Healey maintained that Gripperrods had yet to derive the full benefits of its 1985 acquisition of BCL, a major competitor, in June this year.

CHI has grown rapidly, from pre-tax profits of £400,000 on turnover of £18.2m in 1982-83 to £3.69m in 1986-87 on turnover of £85.9m. I

Its shares closed up 1p at 186p. There will be a clawback facility for existing shareholders at the pricing price of 187p.

With the sale of Gripperrods — British Land completes the process of disposing of its industrial interests. It is expected to dispose of approximately £20m, and its shares added 5p to 342p.

from pre-tax profits of £400,000 on turnover of £18.2m in 1983-84 to £5.59m in 1986-87 on turnover of £55.9m. I

Its shares closed up 1p at 186p. There will be a claw-back facility for existing shareholders at the placing price of 187p.

With the sale of Gripper-roads — British Land completes the process of disposing of its industrial interests. It will make a profit on disposal of approximately £20m, and its shares added 5p to 342p.

from pre-tax profits of £400,000 on turnover of £18.2m in 1983-84 to £5.59m in 1986-87 on turnover of £55.9m. I

Its shares closed up 1p at 186p. There will be a claw-back facility for existing shareholders at the placing price of 187p.

With the sale of Gripper-roads — British Land completes the process of disposing of its industrial interests. It will make a profit on disposal of approximately £20m, and its shares added 5p to 342p.

The full interim statement is being posted to shareholders.

offer. The remainder were subject to the plan's completion and the liquidation of Houdaille was expected next week.

STANDARD (Holdings) has continued the trend of the first quarter results which were on target and well ahead of last year, the chairman said at the annual meeting. Margins had continued to improve and results were still substantially ahead.

McKECHIE BROTHERS has acquired the business and freehold property of Precision Moulded Plastics (Dorset) for up to \$y.5m. PMP, which makes and supplies a range of plastic encapsulated filters and strainers, forecast sales and pre-tax profits of £1m and £250,000 respectively for 1987.

BOARD MEETINGS

TODAY

Inverness	Brearton	Dinkels	Heald
MacLellan-Glenlivet	Wm Morrison		
Supermarkets	George Oliver	(Fortson)	
United	Pittsburgh	Salebury	
Interden	London	Dinkels	Heald
Finlay-Broadcast Communications			
Northern Industrial Investments			
Trust	San Francisco	Telamont	
Zambia	Copper Investments		

August 24th, the European Options Exchange launched an option on the U.S. Stock Index XMI. The first U.S. index to be traded outside the U.S.A.

This index, Major Market Index, is composed out of the stocks of twenty U.S. blue chips such as IBM, AT & T, General Motors etc. The index has proved to be an extremely good reflection of the general performance of the U.S. market. Since 1983 XMI-options are successfully traded on the American Stock Exchange (AMEX) in New York with an average daily turnover of 75,000 contracts.

The XMI contract traded on the EOE is fungible with the contract traded on the AMEX. In total a market of more than two hours is created.

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FTJ

UK COMPANY NEWS

Terry Povey on the tactics and players in the bitter battle for Guinness Peat

How the New Zealanders gained the initiative

THE BATTLE for Guinness Peat Group is still raging—or so the share stake communities from Mr Robert Maxwell's Holborn headquarters appear to indicate. The publishing and printing magazine yesterday announced an increase in his GPG holding to 6.4 per cent.

Equitcorp, the New Zealand banking and investment group which on Thursday increased its offer for GPG to 115p-a-share, which values the target at \$356m, now sits on 39.2 per cent of the UK company's issued capital. The bidder believes that it has already won the day and that Mr Maxwell is engaged in a "futile spilling action."

There is more than one element of irony in Mr Maxwell's involvement—it was the ubiquitous publisher who, supported by MIM, at the last minute successfully blocked GPG's bid for Britannia Arrow almost two years ago—

and GPG has been considered vulnerable to predators ever since.

Secondly, it was the recent introduction of the publisher of the *Mirror* and the *People* to the GPG farrago, apparently by the encouragement of Mr Maxwell, that convinced most of the banking and fund management group's executives of the need to come to terms with Equitcorp.

Certainly the identity of some of the "white knights" who too can interest in GPG, was a major factor in the decision not to management of its key US subsidiary, Fortmann-Leff, to sell most of their shares to the New Zealanders. It also led Lord Kinnaird, GPG's founder, to indicate his approval of them by underwriting the increased offer.

The introduction of Mr Maxwell is seen by many as the third major gaffe made by

GPG since April when Equitcorp purchased its initial quarter stake in the UK group. Then Mr Morton reacted in a customary dismissive manner, telling all and sundry that the New Zealanders were Slater Walker look-alikes, with hardly a million of two to rub between them.

When Equitcorp asked for three board seats—this reaction was repeated—in spades. However, the need for Equitcorp's support for a share issue to fund an acquisition caused the GPG leadership to change its tune. The New Zealanders obtained two seats on the board plus, through an underwriting arrangement, built its stake up to almost 30 per cent.

Gaffe number two was the Guinness Mahon management buy-in incentive scheme—the plan to acquire eight executives to run the merchant bank that, according to internal management

figures, would have led to a \$38m payout in 1992. GPG's refusal to put this issue before shareholders provided Equitcorp with an unparalleled opportunity to go on the attack.

Further, a death in Germany led to ownership of a major parcel of shares passing from father to son—the shift of loyalties allowed Equitcorp to snap up another 5.6 per cent and obliged it to launch its 110p-a-share bid.

On the defensive, GPG's board revealed the details of the "exit scheme." And in spite of the artfully worded 19-page release, the New Zealanders were given a present of round one in the bid battle.

However, it was still the view of Mr Morton that Equitcorp could not possibly succeed against his combined might. Others in the GPG camp were not so sure—many more fearful that a long drawn out battle over the

control of a people's business would lead to the key staff leaving in droves.

So when the only white knights that Slater and Mr Morton could come up with were Mr Maxwell or Canadian financiers, the Belcher Brothers, the reaction of GPG's executives was that the time had come to open talks with Equitcorp. It was as a result of these "amicable" discussions and the prospect of a "satisfactory working relationship" between the two sides, that Equitcorp increased its offer last week.

But Mr Maxwell is clearly not reconciled to an Equitcorp win at 115p—a share from anything else he would lose money. Mr Morton would still dearly like to prove all the New Zealanders out of pride intact, head off for the next top-level Eurotunnel fund raising meeting.

Equitcorp: plenty of staying power

WHEN ONE of Mr Robert Maxwell's aides approached Equitcorp recently, offering to buy it out of Guinness Peat, he expressed surprise that the New Zealanders were not quaking with fear at the approach of his publisher master.

However, like Alastair Morton, executive chairman of the besieged banking and fund management group, Mr Maxwell appears to have seriously misjudged the staying power of the intruders.

Part of the reason for this misjudgment lies in a too quick dismissal of the resources of a youthful group which celebrated its third birthday in April by announcing \$83m on a quarter stake in GPG.

Equitcorp may have only been founded in 1984 but its leading lights—Allan Hawkins (chairman and 40 per cent shareholder) and Grant Adams (deputy chairman with a small stake)—are accounts by trade (like many Antipodean entrepreneurs) and were both senior executives in Marac, New Zealand's largest non-bank financial services group, for a decade starting in the early 'sixties.

Mr Hawkins, aged 48, went on from Marac to become the managing director of Westpac's New Zealand merchant banking subsidiary. Mr Adams, aged

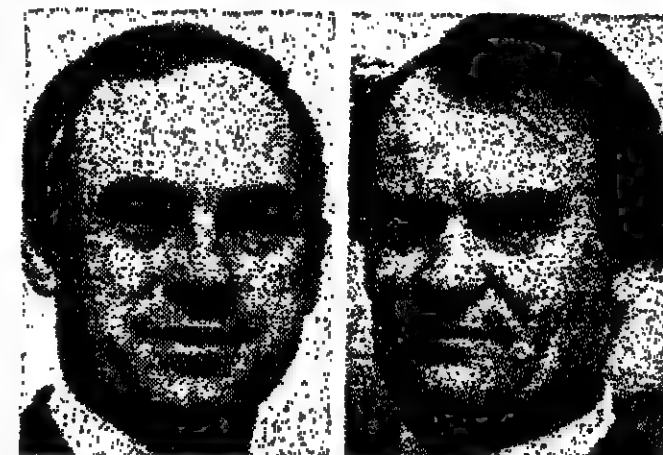
48, stayed with Marac, becoming managing director in 1981, until leaving to join up with Mr Hawkins in the formation of Equitcorp.

From its launch, with a shareholding funds base of NZ\$35m (which compares with March 1987's NZ\$500m) Equitcorp pursued a two track growth policy.

First, there are the operations of its finance group (total assets NZ\$994m), which encompass a commercial lending portfolio, corporate finance and money market and treasury operations. It is the leading operations which account for most of the group's 330 per cent gain.

Second, there are the investment activities. In New Zealand the most important of these is a 49.9 per cent holding in Feltex, a carpets, coverings and retail chain which is New Zealand's 16th largest company. There are also major holdings in electronic consumer goods, property development, pulp and chipboard, and horticultural products.

In Australia is the 58 per cent owned and publicly quoted Equitcorp Tasman, or ET, as it is affectionately known. This has been involved in several major corporate battles. One of which was a \$1.5bn struggle for control of chemicals major



Grant Adams (left), deputy chairman of Equitcorp and Allan Hawkins, chairman

ACI (which was profitably lost). Another involved a \$485m clash with the UK's Redland over Monier, the building products group. Redland has obtained 50.3 per cent of Monier but now has to cope with having ET as a 30 per cent plus minority shareholder. For the year to March, Equitcorp reported net profits of NZ\$10.9m more than triple the previous year's result and twenty times that of 1984-85. Equitcorp's window to the outside world is Hong Kong

where its 75 per cent owned but separately quoted Capitalcorp subsidiary is based. The first 25.5 per cent stake in Guinness Peat was acquired by the Hong Kong arm.

However, it is Equitcorp itself which is bidding for GPG today. With 39.2 per cent of the target's shares already purchased and a growing rapport with the UK group's operating management what are the New Zealanders' plans for Guinness Peat?

Mr Adams and his London

team are, contrary to the City's expectations of Antipodean entrepreneurs, cautious fellows. He expects to spend several months discussing possibilities with the incumbent management at GPG—none of whom, with the exception of Mr Morton, is due to change.

At group level the task of chairman (to be recruited within the UK) and chief executive (currently held by Michael Kerr-Dineen) will be split but its board "will not be swamped by Equitcorp." The plans are for three Equitcorp executives—Hawkins, Adams and Peter Hunt, the managing director of Capitalcorp—to join the existing executive directors and for three non-executive directors, one of whom is to be chairman, to be found in the UK.

For Guinness Mahon, the merchant banking unit of GPG, a new chief executive will be recruited—Equitcorp says it has already received several offers. The plans are for three Equitcorp executives—Hawkins, Adams and Peter Hunt, the managing director of Capitalcorp—to join the existing executive directors and for three non-executive directors, one of whom is to be chairman, to be found in the UK.

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Equitcorp is clearly very happy with the US fund management activities—an area in which it lacks experience as a group. It is anxious to see what can be done to develop the relationship with GPG, the lucrative Irish aircraft leasing activity in which GPG has a 22.6 per cent holding. Some involvement of Guinness Mahon with GPG is also possible; another is an international link-up of GPG with Ansett—the Australian airline which is expanding its leasing operations.

Equitcorp clearly feels it has come very close to victory—it would still like a 60 per cent stake—and according to Mr Hunt is determined to play out what it hopes will be the closing stages of its takeover of GPG "with dignity." But, he adds, "if anyone thinks we will run away from a fight, they've got Equitcorp all wrong."

Molins reiterates forecast of £10m

Molins, the cigarette-making equipment company which recently bought off a \$30m takeover bid from Toser Kemsley & Millbourn, yesterday announced interim pre-tax profits of \$3.1m, down from \$4.6m in the same period of 1986.

However, the company had already warned shareholders of these figures during the bid battle, when it also made a full-year pre-tax profit forecast of not less than \$16m, against \$20m last year. Molins reiterated yesterday that it expected to meet this forecast, together with earnings per share of 21.5p.

It said the drop in profits at the interim stage was wholly attributable to the phasing of tobacco machinery deliveries whilst, "in this year of highly important change from older generation products to the new cigarette making and packing machinery, is unavoidably weighted towards the second half of the year."

Trading profits from tobacco machinery totalled \$1m (\$4.1m) on sales of \$33.7m (\$55.2m) and it pointed out that 1986 first half sales were an uncharacteristically high proportion of that year's turnover.

Corrupted bond machinery produced profits of \$1m (\$0.6m) on sales of \$16.7m (\$17.5m) and were expected to continue at this improved level. Langston UK had a poor start to the year but subsequently built up a much improved order book, in part thanks to a recently announced Chinese order.

The figures also include the first significant contribution—\$1.1m—from Molins' flexible machinery system patents. Group turnover was \$50.4m (\$63.7m), the tax charge \$1.7m (\$2.4m). Earnings per share after tax totalled 5.2p (12.5p). The interim dividend is 2.5p (2.2p).

Pennant bid for Country and New Town

By Paul Cheswright, Property Correspondent

Pennant UK, a subsidiary of Pennant Holdings of Australia, yesterday made its obligatory bid for the whole of the issued share capital of Country and New Town Properties, that it does not already own and urged shareholders not to accept it. The situation arises from the purchase last month for \$39.3m of 44 per cent of Country and New Town's shares from British and Commonwealth. Since then it has bought further shares in the market and currently holds 51 per cent.

This therefore triggered an unconditional offer to the shareholders of Country and New Town at a price of 197p a share—what Pennant had been paying on the market. Pennant's intention though is to hold only 49.9 per cent of Country and New Town and wants the company to retain its listing. So shares which are sold to Pennant are likely to be sold on.

"Arrangements have been made with Hoare Govett, Pennant UK's financial advisers, whereby sufficient CNTP shares will be placed with institutional investors to ensure that the listing is maintained and that there is an adequate market in the shares," shareholders are being told.

Mr Gerald Newton, the CNTP chairman, who has welcomed the Pennant purchase of CNTP shares, said that he would retain at least 500,000. On the market yesterday, CNTP shares were unchanged at 198p.

All-round growth boosts Laporte to £34m halfway

Laporte Industries (Holdings), chemicals group, increased pre-tax profits by 18 per cent from \$28.8m to \$34m and turnover rose from \$205.3m to \$224.7m in the six months ended June 28 1987.

Mr Ken Minton, chief executive, said yesterday that the benefits from the group's programme of investments in the UK and overseas were continuing to come through and had contributed substantially to the profits increase.

All the core business had performed well with the desired high rate of growth. Interex, the hydrogen peroxide group owned jointly with Solvay of Belgium, continued to make progress and contributed \$16.2m (\$14.4m) to pre-tax profits.

The acquisition of Compu-graphics International, announced in July, would substantially benefit the electronics businesses while the recent purchase of Vinings Industries of Atlanta, Georgia, would provide a global opportunity for the expansion of the technical and commercial strengths of Laporte in the paper and water treatment industries.

Mr Minton said that the group's financial position remained strong with a healthy balance sheet and excellent cash flow. Commitment to growth by expansion of the core

businesses remained the highest priority and plans for further acquisitions were well advanced. A good outcome for the year as a whole was expected and prospects for sustained growth were excellent, he said.

Taxes amounted to \$11.5m (\$10m) and minority debits \$100,000 (\$100,000). Earnings per 50p share increased to 18.3p (13.8p).

The interim dividend was increased to 4.4p (3.8p).

comment

Laporte has for several years been cranking up the margins as Interex but the limit must be close now it has reached 20 per cent. That need not cause too much concern. Worldwide sales of Interex products are still growing by about a tenth every year and Laporte is meanwhile boosting both turnover and margins at the core business. Among the achievements is the growth of the timber treatment business which in four years has been built up from nothing to one with a turnover in the US of more than \$80m. Laporte aims to increase pre-tax profits by at least 15 per cent a year and that should be easily achievable this year and next. With \$74m in view the shares are trading on a prospective p/e of about 15. The downside seems limited and the shares could receive a boost when the company goes for its next acquisition.

First Security merging with Hawtal Whiting

By John Griffiths

First Security Group, the electronics, sensors, car safety and security systems group partly owned by United Technologies of the US, is merging with Hawtal Whiting, the Essex-based motor industry design and engineering consultancy.

The deal takes the form of a recommended offer by FSG for all of Hawtal's capital, and values Hawtal at around \$37m. Dr Fred Westlake, FSG's chairman, said last night the merger would allow the new group to exploit many effectively opportunities in the motor and aerospace industries.

Jointly, the new group would be able to build up its ability to provide electronic design and engineering, products, and services covering most elements making up a vehicle.

Only two weeks ago, Hawtal also received full Civil Aviation Authority approval as a supplier of aerospace technical services.

The merger will serve to reduce Hawtal's previously very heavy reliance on General

Motors of the US, from around 95 per cent of its turnover to less than 50 per cent within the new grouping.

The weakness of this dollar-related business was the principal reason for a drop in Hawtal's pre-tax profits from \$4.4m on turnover of \$24.4m for the whole of last year to \$510,000 on a \$15.5m turnover in the first half of the current year.

Announcing the merger yesterday, FSG said it already had acceptance amounting to 82 per cent of the Hawtal capital.

Six new 10p FSG ordinary shares of 10p are being put up for each five Hawtal shares of 50p, which values Hawtal's shares at \$40p. Hawtal's shares at 45p immediately before its suspension on Monday.

Alternatively, Hoare Govett, FSG's brokers, are offering a cash alternative of 45p a share. Full acceptance of the offer will result in up to 8.7m new FSG ordinary being issued, representing about 48 per cent of the enlarged capital of FSG.

FKB in £6m deal to buy ADS

FKB Group, the sales promotion and marketing services business, is buying ADS Group, a Manchester-based marketing services company, for up to \$6m.

It will pay \$1.75m in cash on completion, with further deferred payments over the next three years in cash or shares dependent on future profits performance.

ADS, founded in 1976, provides a broad marketing service and clients include Ferranti, GEC, Great Universal Stores and Crown Paints. Pre-tax profits last year totalled \$172,000 and it has warranted profits of not less than \$300,000 in the year to September 30.

FKB, which recently moved from the US to the main market, said the acquisition would provide the group with "one of the UK's leading direct marketing agencies" and enhance the group's existing capabilities in this field.

Desoutter up 20% to £3m

A significant increase in margins has led to Desoutter Brothers (Holdings), precision mechanical engineers, producing a 20 per cent increase from \$2.45m to \$2.95m in pre-tax profits in the first half of 1987. The improvement in sales was from \$10.02m to \$20.91m.

Mr R. C. Desoutter, chairman, said provided overseas currencies, particularly in Europe, maintained their present levels against sterling there was a good prospect of sustaining the improvement through the remainder of the year.

Interest payable for the half year was \$115,000 (\$198,000) and UK and overseas taxation amounted to \$1.05m (\$987,000) leaving attributable profits of \$1.9m (\$1.69m) for earnings of 15.14p (12.6p) per 25p share.

The interim dividend is raised from 2.5p to 2.7p.

APV BAKER PLC INTERIM RESULTS

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"Your company continues to make good progress and the prospects are encouraging."

"With a high level of orders in hand at the end of June and good order prospects in the main business segments, the outlook for the second half of the year and the carry forward into 1988 is promising."

"The integration of Baker Perkins into the enlarged group has gone extremely well. The potential benefits of the merger have been widely recognised and this has made it possible to implement necessary changes quickly and effectively. Motivation throughout the group is high."

"With the recent acquisitions in the United Kingdom, the USA, Denmark and Germany, APV Baker now enjoys a broader base than any of its competitors. No one industry segment dominates the product portfolio; there are modern manufacturing facilities on both sides of the Atlantic and sales in North America and continental Europe are of comparable magnitude. This should provide useful protection against fluctuations in individual markets and currencies."

"In the last 18 months, your company's share price has more than trebled. The Directors are recommending a 5 for 1 share split."

(A copy of the full interim announcement is available on request from The Secretary, APV Baker PLC, Manor Royal, Crawley RH10 2GZ.)

FINANCIAL HIGHLIGHTS (Half year figures unaudited)	Half year to 30 June		Year to 31 Dec.
	1987 £m	1986 £m	1986 £m
Sales	298	195	417
Profit before taxation	16.2	10.8	27.5
Earnings per ordinary share	22.1p	20.9p	52.5p
Dividend per ordinary share	8p	7p	12p

Kingdom, the USA, Denmark and Germany, APV Baker now enjoys a broader base than any of its competitors. No one industry segment dominates the product portfolio; there are modern manufacturing facilities on both sides of the Atlantic and sales in North America and continental Europe are of comparable magnitude. This should provide useful protection against fluctuations in individual markets and currencies."

"In the last 18 months, your company's share price has more than trebled. The Directors are recommending a 5 for 1 share split."

(A copy of the full interim announcement is available on request from The Secretary, APV Baker PLC, Manor Royal, Crawley RH10 2GZ.)

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Camotech plc, Stewart House, Hillbottom Road, Sands Industrial Estate, High Wycombe, Buckinghamshire HP12 4HJ.

18th September, 1987

Issued and fully paid

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In ordinary shares of 10p each

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Camotech plc, Stewart House, Hillbottom Road, Sands Industrial Estate, High Wycombe, Buckinghamshire HP12 4HJ.

18th September, 1987

Sponsors and Financial Advisers:

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UK COMPANY NEWS

Acquisitions help Abaco boost profits to £6.5m

BY STEVEN BUTLER

Abaco Investments, financial services company, yesterday reported a near five-fold increase in pre-tax profits to £6.5m in the year to the end of June while turnover increased from £16.8m to £46.67m.

The rapid growth of the company reflects an aggressive acquisition programme, with much of it funded by share issues. However, earnings per share also moved sharply ahead, more than doubling from 1.03p to 2.31p. A full-year dividend was declared at 0.4p — up from 0.2p.

Mr Cameron Brown, chief executive, said that organic growth contributed only to a minor part of the improved performance.

"At this stage of Abaco's growth, it is primarily acquisitions," he said yesterday.

He added, however, that strong organic growth had been experienced in many of the businesses acquired. This resulted in part from savings in management costs in what were fragmented fee-earning professional firms.

The results could not be taken as a reflection of the true earnings capacity of the current business of the group, Mr Brown said, because of the number of acquisitions completed throughout and after the end of the financial year. Since July 1986 Abaco has completed 26 acquisitions, 12 effective since the end of the financial year.

The enormous expansion of the group has led Abaco to adopt a five-division structure and divisional boards are set to be in place by the year end which are to retain significant management autonomy. The divisions include residential estate agencies, personal financial services, commercial estate agencies, loss adjusting, and other activities.

Property-related services accounted for some 70 per cent of profits. Turnover in residential estate agencies

reached £14.88m, with operating profits at £2.98m. Personal financial services, including mortgage broking and insurance broking, contributed £6.63m to sales and £1.76m to profits. Sales in the commercial estate division reached £3.68m, with profits of £1.64m.

The loss-adjusting division was built through the acquisition of Toplis & Harding, Trundle Heap & Baker, John Lewis and Maxson Young Associates, with operating profits of £1.48m on a turnover of £14.83m. Other activities contributed £1.21m in profits and £6.72m in turnover.

Earnings data for the company were calculated on the basis of a weighted average of number of shares in issue, which came to 186.4m shares, compared with 194.9m in the previous year. Actual shares in issue at the end of June reached 221m, up from 122m in the previous year.

Lancaster advances to £1.35m at midway

A STRONG UK market for motor vehicles which benefited all sectors of its business helped Lancaster, retail motor trading group, boost taxable profits by 87 per cent from £810,000 to £1.35m in first half of 1987. Turnover moved up from £37m to £41.95m.

Mr Jeremy Brown, chairman, said that trading in the second half of the year started well, although higher operating costs, notably increased property rentals and costs associated with computerisation and decentralisation were likely to limit profits growth in the period.

Nevertheless, with the current strong market in the motor industry he looked forward to the future with confidence.

He said that the company continued to review opportunities for further expansion.

Lancaster, which obtained a full market listing in July this year, paid increased tax at £459,446 (£257,000) and earnings per 25p share rose from 4.4p to 7.2p.

Mr Brown said that as indicated at the time of the company's flotation it would not be paying an interim dividend. However, a final dividend for 1987 would be payable in May 1988.

Since the float, Lancaster had opened its new facility at West Thurrock. Plans for the relocation of the Mercedes-Benz dealership at Hertford were progressing satisfactorily and negotiations were in hand to acquire an excellent site close to the town centre.

Westpool repeats £2.8m at year end

Westpool Investment Trust, an investment holding company with mainly listed investments, announced unchanged pre-tax profits of £2.84m for the year to end-April 1987.

The directors are recommending an increased final dividend of 1.35p (1.256p) for a total 6.1p ahead of 1.7p. Earnings for the year rose to 2.09p (1.62p) basic, and fully diluted were 1.78p (1.7p).

Gross income moved ahead from £8.17m to £8.13m, which included £2.97m (£2.59m) in dividends from London Merchant Securities. The group also received a dividend of the LMS proposed final dividend for the year ended March 1987. That amount, £2.22m including the associated tax credit, will be reflected in Westpool's results for the year to end-April 1987.

Tax was £783,000 (£886,000) and there was a £553,000 extraordinary credit (£1.02m debit).

Fergabrook cuts its losses

Fergabrook Group, a distributor of consumer merchandise, cut pre-tax losses from £2.15 to £771,000 on turnover reduced substantially as a result of restructuring from £31.67m to £5.23m in the first half of 1987. The loss per 20p share of this USM-quoted company was cut from 8.49p to 3.04p.

The directors said that the company would not be paying a dividend. Mr Richard King, chairman, said that the reduction in turnover was largely because of the disposal of Triforce, Fergabrook's wholesale of DIY, gardening and domestic hardware products arm which had a turnover of £22m.

The results reflected the seasonal nature of the toy business which represented a very major part of the turnover. The second half of the year would show considerable improvement as a result of Christmas-related sales. They also indicated that the benefits of the restructuring were beginning to be seen.

Sales in the toy division in 1987 would be substantially in excess of last year and Mr King said that he was confident that the division was now capable of profitable growth. The security and electrical products division was expected to make a small loss this year and to contribute to group profitability next year.

The company's forward sales position for the current year gave it utmost confidence that it would return to profitability for the full year, bearing in mind the current seasonal nature of its business.

Turnover on the continuing businesses increased by 50 per cent. Losses on the continuing businesses for the comparative period last year were £2.3m.

Distribution of toys through Rainbow Toys, the company's main activity, were substantially ahead and would continue so for the full year. He said that the division would be profitable for the year.

Sale of land helps profits rise at Garton Engineering

Garton Engineering, manufacturer and distributor of engineering components and special fasteners and tools, reported pre-tax profits from £290,000 to £427,000 on turnover ahead from £7.08m to £7.49m in the first half of 1987.

The directors declared an interim dividend of 1.25p (1p) and after tax of £126,000 (£141,000) earnings per share rose from 6.76p to 8.08p.

The improvement was thanks partly to an £88,000 exceptional credit resulting from the sale of part of an area of land

geographically unrelated to the company's manufacturing centres.

The directors said that a rapid build-up in demand had exceeded the company's expectations and there were good indications of the high level of forward demand would be sustained well into 1988.

Production was being increased to match demand and the company would expect a continuing high level of sales and some improvement in profitability.

Clarke Nicholls ahead midterm

FIRST HALF results from Clarke Nicholls & Coombs, property investor and developer, showed turnover increasing from £1.97m to £2.7m and pre-tax profit rising from £407,000 to £730,000.

Gross rental income was up to £911,000 (£845,000) and property development to £1.85m (£1.32m), including a useful trading surplus from the acquisition and disposal of a property in Victoria.

The second half started encouragingly, the directors reported. Earnings were 4.6p (3.5p) and the interim dividend is 1.1p (1.06p).

Ian Hamilton Fazey on Miller and Santhouse's rapid progress Seeing a market for expansion

Miller and Santhouse, the Liverpool-based opticians which floated on the USM in October 1986 and which announced good first full-year results as a public company this week, is having a customarily busy month.

On Monday it opened the company's 40th "sight centre" — a departure from its normal practice of choosing only prime positions in busy high streets, because this one is Britain's first "drive-in" opticians. Four more shops of the conventional sort are being fitted out and will open before October.

The latest Miller and Santhouse outlet may not be that much of a departure, however. It is sited on the successful out-of-town Retail World Park shopping complex near Rotherham, and most of Britain's big retail names are already there.

This means that Mr Maurice Miller, the company's joint founder and its marketing expert, is ensuring that his products and services are in a place where potential customers turn up in large numbers.

Other "drive-ins"—or rather "drive-tos," since you have to get out of the car to have your eyes tested—are likely to figure next year when he launches his

closed at 150p at the end of the first day, and have not looked back since. Pre-tax profits have risen from £57,000 in 1983 to £262,000 in 1986 and this week the group announced a further jump to £511,000 for the year to June, as well as a 53p rights issue. The shares closed last night at 865p, down 5p.

The reasons for the company's success becomes clear as Mr Miller whisks breathless visitors round his rabbit warren of a headquarters in Lord Street, Liverpool's most famous shopping thoroughfare.

It is a rabbit warren because the company needed more space above its original shop. Liverpool's decline meant many empty neighbouring offices in the long terrace of high street buildings. Miller and Santhouse took them over from the first floor upwards and knocked through to expand sideways in both directions.

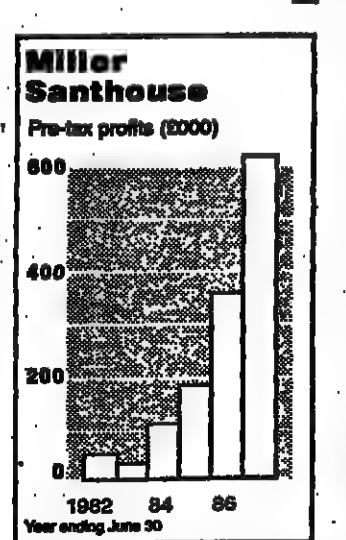
This has given the space for stock, manufacturing, administration, an in-house retail design studio (to get point-of-sale promotion right and consistent nationwide) and the company's training centre.

The business is run by Mr Miller, Mr Jeffrey Santhouse, a fellow optician who supervises professional standards nationwide, and Mr Alan Tinger, who sold his share in a two-man chartered accountancy practice to join his major client as finance director for the flotation.

There seem to be four reasons for success — a small top management team that knows what it is doing, sound marketing, exceptionally good managerial controls which make use of the latest electronic point-of-sale (EPOS) technology, and well-motivated staff.

Mr Miller spent his first few years after qualifying running his own optical wholesaling business. He sold it to set up in practice with Mr Santhouse but was, as Mr Tinger puts it, "a frustrated retailer in far too small a business."

As the practice expanded it used Mr Miller's past experience and contacts to cut out middle men by buying direct from manufacturers. Now he buys massively and exclusively



direct from the most fashionable designers and manufacturers in the Far East and Europe.

With fewer links in the chain, the company is able to score heavily on pricing. Typically, it is £10-£20 a pair cheaper for the equivalent pair from competitors. It then scores through having a glazing facility in every shop, so that all but complicated spectacles are ready in about an hour, a standard of service most people expect to find only in places like Hong Kong.

It uses its EPOS system to control stock levels and assess trends in public taste. Each till in the network of branches—which spreads out from Merseyside north into Scotland and westwards and south into Yorkshire and the Midlands—feeds back automatically to the head office computer with full details of each transaction.

The print-out from each till is also useful to the customer since it contains their prescription. A chit with each pair of glasses offers 20 per cent off a second pair made to the same prescription within a year.

The question is whether all this will be ruined by growth as sheer size makes managerial control more difficult. Mr

Miller says that the EPOS tills and technology will do their job well whatever the company's size. The key will be keeping staff motivated.

Many professional staff bought shares on flotation and have thus seen the value of their holdings rise dramatically. A share option scheme to be introduced soon for key staff is likely to make them even more eager to contribute to the business's success.

Under this, some rewards packages will include options on 10,000, 20,000 and—for some senior people—30,000 shares. If the share price continues to hold up and develop, this should mean substantial nest eggs for many, small fortunes for those whose role will be critical. Mr Miller thinks this will help motivate staff.

However, even with 300 staff and coming up to 50 branches, Miller and Santhouse is nevertheless small in ophthalmic retailing. With giants like Boots Optical and Holland and Aitchison let them get away with an increasing market share in prime high streets?

Mr Tinger says: "We keep doing what we think is right and don't worry about them. We wait for the best high street sites and open there, wherever the competition is. One of our most successful

shops was opened next door to a Boots Optical branch.

"There were already 11 opticians in Warrington and when we opened slap in the middle of the shopping precinct, the trade thought we were mad. We are doing very well and, we think, better than everyone else."

Competitors like Holland and Aitchison are very good and we respect them greatly. But they have 600 branches and cannot respond all that quickly. We believe we have a flying start in advanced retailing technology and the incentive throughout the company to win everywhere we operate," he says.

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Copies of the Listing Particulars and of the Supplementary Listing Particulars will also be available for collection up to and including Tuesday, 22nd September, 1987 from the Company Announcements Office, The Stock Exchange, Throgmorton Street, London EC2.

18th September, 1987

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The Financial Times stages a Retail Financial Services conference every second year and this October sees another forum reviewing the significant developments in Britain, Continental Europe and the United States. The debit card problems, an issue of considerable interest today, will receive particular attention.

Among the speakers who have agreed to participate are:

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John Hancock Mutual Life Insurance Co
- Mr Raoul Bellanger
Groupe des Cartes Bancaires
- Mr Colin J. Finch
Hambro Countrywide PLC
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Electronic Financial Services - Competition & Co-operation

London, 19 & 20 October, 1987

The Financial Times fifth Electronic Financial Services conference will focus on competition and co-operation in financial services and the problems financial institutions face in managing technology to cope with the demands presented by the increased competition and deregulation.

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- Mr Des Lee
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- Mr Gene Lockhart
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COMMODITIES AND AGRICULTURE

UK maltsters face barley shortage

BY BRIDGET BLOOM

BRITAIN'S TOTAL cereal harvest this year is likely to be at least 2.35m tonnes or nearly 10 per cent less than last year, according to figures published yesterday by the National Farmers' Union.

The figures, the preliminary result of the NFU's annual cereal harvest survey, suggest for the first time that the country's barley harvest could be almost as severely affected by the recent heavy rains as the wheat harvest.

According to the NFU, the wheat crop is expected to be something under 12.25m tonnes, against nearly 14m tonnes last year, while some

9.25m tonnes of barley is anticipated compared to 10m tonnes last year.

However, the situation could well be worse than these broad figures suggest for the premium malting barleys, which are grown principally in the eastern counties most affected by rain. According to one malting industry estimate, the amount of malting quality barley available to maltsters could be down by 15-18 per cent.

The malting industry used 1.6m tonnes of barley last year, with a further 400,000 tonnes being exported. The very wet weather has affected not only the quantity but the quality of

the grain. It is suggested that while yields may be down by 5-7 per cent, a further 10 per cent may effectively be lost through poor quality.

If the worst predictions are fulfilled, between 200,000 and 300,000 tonnes may have to be imported, some barley merchants believe. Within the European Community Denmark normally produces a healthy surplus of malting barley. It is not yet clear whether this will be the case this year, however, as the Danish harvest has also suffered from poor weather.

The Maltsters' Association of Great Britain believes it is too early to be sure that imports

will be needed, but it highlights a further problem. British normally exports about 300,000 tonnes of malt a year to third countries. The extremely high prices now being paid to farmers for high quality barley—up from about \$130 a tonne in early August to near \$155 a tonne currently—could make UK malt uncompetitive.

Of the normal barley crop of 10m tonnes about 2.5m tonnes is used for brewing beer and distilling whisky. The balance of the crop is used for animal feed in the UK (some 3.5m tonnes), for seed (500,000 tonnes) and for export for feed to third countries.

Tanzania plans to curb gold smuggling

By Phillip Smith
In Dar es Salaam

A minister in the Tanzanian Government has confirmed that approximately half a tonne of gold is being smuggled out of the country each month.

The Minister for Energy and Minerals, Mr Al Noor Kassam, said this week that an inquiry into the escalating smuggling problem was to be launched, and a policy introduced in Parliament to curb the trade.

Large quantities of gold are reportedly being smuggled through Dar Es Salaam air and sea ports with the co-operation of licensed gold miners.

A major source of the gold is the Bukere development in the Gelta district of the Mwanza region. Smaller quantities are mined by peasants using their bare hands and old rudimentary mines spread across the country.

Gold production in Tanzania divided into almost all in the 1970s, but the Bukere mines—with an estimated life of 15 years—were reopened in 1980. Commercial quantities of gold have been discovered on the fringes of the mines.

The mining sector accounted for only 0.6 per cent of the country's GDP in 1982, but this figure does not allow for extensive illegal mining.

An investigation in the Sunday Times of Tanzania said that the miners sold their gold to both legal and illegal dealers instead of the state mining corporation (Stamico). Illegal dealers offer five times the Stamic price.

"We are aware that a lot of illegal gold is being smuggled out but it is difficult to give accurate figures," Mr Kassam said. He confirmed that an investigation into the problem was to be conducted immediately.

Gold plays an important role on the black market in Tanzania. Traders smuggle gold out in exchange for a range of consumer items, including motor vehicles and clothing. However, the majority of the earnings are kept overseas.

Backing expected for tin quotas

BY WONG SULONG IN KUALA LUMPUR

MINISTERS of the seven-nation Association of Tin Producing Countries are to discuss the possibility of extending their current export quota programme by another year when they meet in Kuala Lumpur at the end of the month.

Malaysia, the largest producer, believes that other ATPC members are prepared to continue the quota programme provided non-members, particularly Brazil and China, are willing to continue to co-operate by restraining their sales. Brazil and China will be sending observers to the ministerial meeting.

The ATPC members—Indonesia, Malaysia, Thailand, Australia, Bolivia, Nigeria and Zaire—are generally satisfied with the performance of the export quota scheme under which they are limiting total exports to 96,000 tonnes for the

year from last March. The scheme helped to reduce the tin stockpile in the market from 85,000 tonnes two years ago to about 55,000 tonnes last month.

Some sectors of the Malaysian tin industry are lobbying for Kuala Lumpur to opt out of the scheme, but the Malaysian Government is against such a move as it feels a free-for-all would depress prices.

Dr Lim Keng Yaik, the Malaysian Primary Industries Minister, is expected to take over the ATPC chairmanship from Dr Subroto of Indonesia at the coming meeting.

The ATPC will also discuss a proposal to increase its budget by \$1m to \$2.5m to enable its London-based International Tin Research Institute to conduct more research and development work.

Meanwhile Mr Syed Jabbar Shahabuddin, executive of the Kuala Lumpur Commodities Exchange, has denied local media reports that the exchange has postponed tin futures trading to November.

He said tin trading would definitely begin in October as planned, and the exact date would be announced by Dr Lim when he opens a tin trading seminar on September 30.

The seminar is to take advantage of the ATPC meeting to familiarise foreign tin producers with the new hedging facility on the KLCE.

Physical tin was traded at 16.91 ringgits a kg (\$4.114 a tonne) in the Kuala Lumpur tin market yesterday, down one cent. But traders say demand has been strong in recent weeks, and expect the 17 ringgit market to be broken soon.

S African coal mines suffer fresh blow

BY GERRARD McCLOSKEY IN LONDON AND BRENDAN RYAN IN JOHANNESBURG

SOUTH AFRICAN coal exporters, still dreading themselves down after the three-week strike by the National Union of Mineworkers, have now been dealt a blow which is potentially much more damaging.

The state-owned South African Transport Authority (SATS) has suddenly and unilaterally raised the rail rates for carrying coal to the Richards Bay, the country's exporting port on the Indian Ocean.

The R4 a tonne rise brings haulage rates to R23.50 a tonne for carrying coal from the most distant mines to the terminal. It is the second rail rate increase this year and another is expected on April 1 1988.

These "rate" increases, along with higher labour costs following the NUM pay settlement, are among a series of costs increases which have steadily eroded South Africa's position as the world's lowest-cost coal producer.

The Rand has recovered from a low of 36 US cents in December 1986 to 48 cents now; the recent NUM award has put another 5 per cent on costs and inflation is running at 16 per cent. All this comes on top of a boycott of South African coal in

France, Scandinavia and the US. The result has been a swift reversal in the growth of coal exports. Last year 45.5m tonnes were moved—over 40m tonnes through Richards Bay—but this year the figure, from annualised Richards Bay figures to the end of August, are that more than 4m tonnes will be lost with many industry leaders predicting a far bigger drop.

While costs have been escalating prices have dropped. In December 1986, when the rand was at its lowest, the rand earnings for US dollar sales at the spot price for South African coal were around \$38 a tonne, delivered into Europe; but last week they were almost 10 cents below that level.

In marked contrast to the South African industry's treatment by SATS, the same price pressures which are exerting themselves on the Australian coal industry have seen both state and federal governments embark on a series of ways of reducing rail and port charges. In addition, and in spite of the week-long strike at the mines which ended this week, the mining unions have agreed to cut their payments at a slowing list of mines.

Bad weather may cut EC sugar exports

By David Blackwell

EXPORTS OF sugar from the European Community in 1987-1988 could fall to the lowest level this decade, according to C. Czarnikow, the London trade house.

In its September review the broker puts the EC's potential exportable surplus of sugar in excess of 4m tonnes, compared with the 5.1m tonnes it was forecasting in July. But, depending on market prices, it is likely to be revised downwards because of bad weather hitting European sugar beet crops in the past couple of months.

Czarnikow is expecting the total EC white sugar output to be about 12.6m tonnes this year, compared with a July forecast of 13.4m tonnes. The forecast has been revised downwards because of bad weather hitting European sugar beet crops in the past couple of months.

British Sugar has cancelled the National Sugar Beet Demonstration scheduled for November 4 and 5 because of the possible risk of contamination crops with the rhizomania virus, discovered on a Suffolk farm last month.

LONDON MARKETS

COPPER PRICES on the London Metal Exchange reached the highest level for several weeks yesterday as the cash Grade A position closed with a net gain of £29.50 at £1,122 a tonne. News of a tentative labour agreement at Ford Motor Company's US operations aided the established bull trend, dealers said. They also noted substantial physical demand from the Far East, stop-loss buying, buying on behalf of commodity funds and some covering against potential options declarations.

Dealers said that light value, reports from the Far East, and a few fundamental factors were behind the market's move. With very much withdrawn orders of the forthcoming strike, dealers said that the market was likely to remain stable during the afternoon.

COFFEE Robusta's spent a quiet day trading in the London market, with a net loss of 11.50 cents at 115.50 cents a cwt. The market opened at 115.50 cents and closed at 115.50 cents (115.50-115.50).

COCAOA In relatively flat trading conditions the market made the opening day's move, with a net gain of 1.50 cents at 1,000.00 cents a tonne. The market opened at 1,000.00 cents and closed at 1,000.00 cents (1,000.00-1,000.00).

CRUDE OIL (LIGHT) 42,000 US gallons, cwt/tonne. The market opened at 115.50 cents and closed at 115.50 cents (115.50-115.50).

HEATING OIL 42,000 US gallons, cwt/tonne. The market opened at 115.50 cents and closed at 115.50 cents (115.50-115.50).

WHEAT 16,000 bushels, cwt/tonne. The market opened at 115.50 cents and closed at 115.50 cents (115.50-115.50).

SPOT PRICE: Chicago local hard 16,000 (same) cents per bushel. Handy and Harman silver bullion 750.00 (750.00) cents per 100 oz. 317.0-318.0 (317.0-318.0) cents per ounce.

SUGAR LONDON DAILY PRICES—Raw sugar 158.00 (158.00) at \$1.00 (on 80s) a pound for October/November delivery. White sugar 158.00 (158.00) at \$1.00.

POTATOES Heavy rainfall over much of the UK overnight lifted prices, but trade remained flat, reports Coley and Harper. The market opened at 115.50 cents and closed at 115.50 cents (115.50-115.50).

SOYABEAN MEAL 48,000 lb, cwt/tonne. The market opened at 115.50 cents and closed at 115.50 cents (115.50-115.50).

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Australia probes grain handlers

THE NEED for a radical overhaul of Australia's grain storage, transport and handling system is likely to be stressed in a Royal Commission discussion paper to be published next week. The Commission has been working for almost a year and its long-awaited paper will detail some of the preliminary findings gleaned from the hundreds of written submissions and numerous oral presentations made at public hearings around the country.

Next week Mr Jim McColl, the Commission's chairman, is to travel to the Middle East, Europe and North and South America.

In recent months the Commission has published some of its initial thoughts, and the discussion paper is likely to repeat many of the comments suggesting that the institutional framework and pricing practices now in place of wheat and other grains are in need of far-reaching changes. As it has not yet enough, a second spotlight is being trained on the wheat industry by the Industries Assistance Commission (IAC), the Government's advisory body on assistance given to primary, secondary and tertiary industries.

The IAC is busily examining not only the assistance which the Australian wheat industry receives but also the domestic and export marketing arrangements which it operates. The existing scheme expires next June, and the Government must decide whether to extend or change it.

Both the IAC and the Royal Commission are due to report early in 1988. Their findings will be important because the outlook for wheat—Australia's third largest export earner, behind coal and wool—is far from encouraging.

According to the Government's Bureau of Agricultural Economics, Australian wheat output will fall below 14m tonnes over the next few years from the record 22m tonnes of

1983-84, while exports will sink to between 11m and 12m tonnes. At the same time low wheat prices—the result of declining import demand and US and EC support policies—are likely to persist in the medium term. That means intensifying pressure on grain growers, whose incomes are already estimated to average zero.

The findings will be important for a wider reason too. They will touch on aspects of the Australian economy which have been the subject of serious doubt whether the regulated rail system can be efficient and cost-effective. There is, it says,

economically cleared by road. Where the rail rate is above 16,000 tonnes, it suggests rail might be better.

The Commission has also found that there is a wide divergence in the cost of the rail service. It says the rates a particular grain grower pays the rail authorities may be subsidised by other growers, or rail traffic or taxpayers generally—and in some cases by all three.

In the Commission's view, there must be serious doubt whether the regulated rail system can be efficient and cost-effective. There is, it says,

scope for significant deregulation. Its initial verdict on pricing in Australia's grain storage and handling system is just as sobering. Again, it has found a range of pricing practices and says few of them reflect the cost of service provided.

The bulk handling authorities—which, like the rail authorities, are statutory monopolies in some states—aim for full cost recovery by generally pooling all costs and determining an average price per tonne for the service they provide.

This charge is paid by the Australian Wheat Board—the institution which compulsorily acquires the wheat harvest and markets it domestically and abroad.

The board in turn passes the handling charges on to growers through a deduction from marketing proceeds—adding its own marketing costs and, in the case of exports, port and shipping costs.

As with rail freight charges, the Commission wonders seriously whether growers pay too much for storage and handling adequately

reflects the relative efficiency of different silos and port facilities.

It also asks questions about revenue pooling, in which payments are made to producers which may not fully reflect the value of differences in quality or of domestic sales as compared with exports.

According to the Commission, there is "dissatisfaction" with the current pricing policies of both the transport and the bulk handling authorities.

However, according to some submissions, it has received a more competitive environment could lead to average cost savings for all wheat growers of up to A\$15 (£8.80) a tonne. The Commission acknowledges that existing institutions have made efforts to improve efficiency by administrative means, such as performance standards and incentive and penalty payments. But it says that the types of incentive structures found in competitive markets are very difficult to create through agreements and administrative methods, not least because the latter may not be cost-related and tend to be less flexible and less responsive to change.

All in all, it clearly favours what it calls a "market driven" approach, in which there are cost-related price signals flowing in the system, rather than a "service driven" approach, in which a predetermined level of service dictates the level and disposition of resources.

The details of the Commission's report at the end of this month will give some views on the sort of system.

How such a system might be put into effect will only emerge after further hearings and analysis. A final report is not scheduled to be published until well into next year.

Chris Sherwell on a study which may result in a major overhaul of cereals services

port sector, which is still one of the country's most heavily regulated areas of economic activity.

The Royal Commission starts from the fact that between 1979 and 1986, the cost of storage, handling and transport services took a rapidly increasing share of the customer's price—more than 19 per cent last year.

In respect of transport, it has looked closely at the lack of competition between road and rail in the movement of grain and at the costs and pricing of these alternatives.

Comparing costs of road and rail, the Commission has found that where branch lines carry less than 50,000 tonnes a year the grain might be more

economically cleared by road. Where the rail rate is above 16,000 tonnes, it suggests rail might be better.

The Commission has also found that there is a wide divergence in the cost of the rail service. It says the rates a particular grain grower pays the rail authorities may be subsidised by other growers, or rail traffic or taxpayers generally—and in some cases by all three.

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INDICES

REUTERS
Sept 17 Sept 16 Mth Ago Year Ago
1004.2 1054.7 1678.2 1506.45
(Base: September 15 1931=100)

DOW JONES
Sept 16 Sept 15 Mth Ago Year Ago
Spot 128.91 128.21 - 122.08
Fut 151.02 150.82 - 126.29
(Base: December 31 1921=100)

MAIN PRICE CHANGES
Sept 17 + or -
1987 - ago

METALS
Aluminium: Prime Market \$175.75 (+\$18.00)
Copper: 3 months \$112.25 (+\$4.50)
Gold: 100 oz \$352.50 (+\$4.50)
Lead: 3 months \$254.50 (+\$2.50)
Nickel: 3 months \$254.50 (+\$2.50)
Silver: 3 months \$254.50 (+\$2.50)
Tin: 3 months \$254.50 (+\$2.50)
Zinc: 3 months \$254.50 (+\$2.50)

GRAINS
Barley: 100 lb \$1.02 (+\$0.01)
Maize: 100 lb \$1.02 (+\$0.01)
Soyabean: 100 lb \$1.02 (+\$0.01)
Wheat: 100 lb \$1.02 (+\$0.01)

COFFEE
Robusta: 100 lb \$1.02 (+\$0.01)
Arabica: 100 lb \$1.02 (+\$0.01)

COCAOA
100 lb \$1.02 (+\$0.01)

CRUDE OIL (LIGHT)
42,000 US gallons, cwt/tonne \$1.02 (+\$0.01)

HEATING OIL
42,000 US gallons, cwt/tonne \$1.02 (+\$0.01)

WHEAT
16,000 bushels, cwt/tonne \$1.02 (+\$0.01)

SPOT PRICE:
Chicago local hard 16,000 (same) cents per bushel. Handy and Harman silver bullion 750.00 (750.00) cents per 100 oz. 317.0-318.0 (317.0-318.0) cents per ounce.

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CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Pound firm but cautious

Sterling showed a favourable but restrained response to further encouraging economic data. Investors seemed determined to wait for today's bank lending and money supply figures before making any decision. Even if these are satisfactory, sterling's recent strength has been sufficient to arouse fears of central bank intervention.

Sterling opened at around DM 2.99 which was a little too close to the DM 3.00 level regarded as a trigger point for Bank of England intervention. Consequently there was some hesitation to try and push beyond this level just yet although if today's bank lending figures prove to be favourable, then demand for sterling could provide the Bank with a trial of strength.

Yesterday's economic data showed that US unemployment fell by a record amount for August to 2.8% or 10.2 per cent while the second quarter current account deficit was calculated at just £2.74bn, helped by a sharp rise in exports in services. In addition unit labour costs rose much in line with expectations to a year on year rise of 1.7 per cent while the rising increase in average earnings remained stable at 7.5 per cent.

Today's money supply figures could provide the key to whether sterling will remain within its recent trading range (regarded by some as a shadow range of full EMS membership) or whether the Bank of England will have to flex its muscles and defend the DM 3.00 level with conviction.

STERLING INDEX

	Sept. 17	Sept. 16	Previous
100 = 1.0000	1.0000	1.0000	1.0000
1 month	0.93-0.95	0.93-0.95	0.93-0.95
3 months	0.93-0.95	0.93-0.95	0.93-0.95
6 months	0.93-0.95	0.93-0.95	0.93-0.95
12 months	0.93-0.95	0.93-0.95	0.93-0.95

Forward premium and discount apply to the U.S. dollar.

CURRENCY RATES

	Sept. 17	Sept. 16	Previous
100 = 1.0000	1.0000	1.0000	1.0000
1 month	0.93-0.95	0.93-0.95	0.93-0.95
3 months	0.93-0.95	0.93-0.95	0.93-0.95
6 months	0.93-0.95	0.93-0.95	0.93-0.95
12 months	0.93-0.95	0.93-0.95	0.93-0.95

Source: Reuters. Rates for Sept. 14: 1.7004.

CURRENCY MOVEMENTS

	Sept. 17	Sept. 16	Previous
100 = 1.0000	1.0000	1.0000	1.0000
1 month	0.93-0.95	0.93-0.95	0.93-0.95
3 months	0.93-0.95	0.93-0.95	0.93-0.95
6 months	0.93-0.95	0.93-0.95	0.93-0.95
12 months	0.93-0.95	0.93-0.95	0.93-0.95

Source: Reuters. Rates for Sept. 14: 1.7004.

OTHER CURRENCIES

	Sept. 17	Sept. 16	Previous
100 = 1.0000	1.0000	1.0000	1.0000
1 month	0.93-0.95	0.93-0.95	0.93-0.95
3 months	0.93-0.95	0.93-0.95	0.93-0.95
6 months	0.93-0.95	0.93-0.95	0.93-0.95
12 months	0.93-0.95	0.93-0.95	0.93-0.95

Source: Reuters. Rates for Sept. 14: 1.7004.

MONEY MARKETS

Better tone

SENTIMENT ON the London money market was slightly better yesterday, after encouraging UK economic news so far this week. Wednesday's news of half the expected Public Sector Borrowing Requirement for August, and about double the rate forecast for July industrial production set the tone.

The market is in the middle of a concentration of figures, but has not yet been disappointed. The fall of 43,300 in August unemployment, with the underlying rise in July average earnings remaining

at 7.5 per cent, while unit wage costs rose at an annual 1.7 per cent, compared with 1.3 per cent in June, were in line with expectations.

Dealers noted that the median forecast for today's August bank lending is £2.5bn, according to a survey by Money Market Services, compared with recent estimates of £2.75bn, and the published figure of £4.9bn in July. This suggests that unless there is a substantial improvement in recent figures the market will be disappointed.

Three-month interbank eased slightly to 10.1-10.2 per cent from 10.1-10.2 per cent yesterday.

The Bank of England initially forecast a money market shortage of £250m, but revised this to £200m at noon and provided total assist-

to £1,000. August average 1.5375. Exchange rate index 146.5 against 147.2 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM 1.8174 against DM 1.8123 on Wednesday.

Dollar trading was confined to a narrow range in the absence of any fresh information. Next week's meeting of central bankers was expected to push the dollar lower.

While there appeared to be little hope of any fresh initiative from the meeting, speculators were content to cover their positions and adopt a wait and see attitude.

JAPANESE YEN—Trading range against the dollar in 1987 is 180.45 to 182.25. August average 181.57. Exchange rate index 221.9 against 221.3 six months ago.

Trading was dull and featureless in Tokyo. There was insufficient incentive to make any serious attempt at pushing the dollar outside its recent trading range and the yen unit finished at 181.50, unchanged from Wednesday.

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FINANCIAL FUTURES

Economic news boosts gilts

LONG TERM gilt futures were firmer on the London International Financial Futures Exchange, but nervous ahead of today's figures on UK money supply and bank borrowing. These are generally expected to show that borrowing in August was only about half the July figure of £4.9bn.

UK economic news so far this week has been encouraging, including yesterday's data on average earnings and unemployment. An unchanged underlying rise of 7.5 per cent in July average earnings was in line with expectations, and the year-on-year increase of 1.7 per cent in unit

labour costs, against 1.3 per cent in June, was also much as forecast. These figures, coupled with the largest April fall on record in UK unemployment, and the fourteenth successive decline in adjusted unemployment from a peak of 11.6 per cent last summer, to 10.4 per cent last month, pushed the market higher.

December gilt futures opened at 114-11, the low of the day, and finished just below the day's peak of 115-14, at 115-13, compared with 113-27 previously.

US Treasury bond futures improved on Liffe, on reports that US Congressional negotiators had made progress on an agreement to

the Federal budget deficit.

Sentiment was also helped by a steady dollar and a larger than expected fall in August US housing starts of 1.5 per cent, but dealers suggested this was likely to be regarded as a chance to sell.

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LONDON SHARE SERVICE

[illegible]

Money Market Bank Accounts

[illegible]

Money Market Trust Funds

[illegible]

LONDON SHARE SERVICE

AMERICANS—Continued

1997	Stock	Price	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	5
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MINES—Continued[illegible]

245	108	WPA East 25c	245	70	WPA East 25c
246	108	WPA East 25c	246	70	WPA East 25c
247	108	WPA East 25c	247	70	WPA East 25c
248	108	WPA East 25c	248	70	WPA East 25c
249	108	WPA East 25c	249	70	WPA East 25c
250	108	WPA East 25c	250	70	WPA East 25c
251	108	WPA East 25c	251	70	WPA East 25c
252	108	WPA East 25c	252	70	WPA East 25c
253	108	WPA East 25c	253	70	WPA East 25c
254	108	WPA East 25c	254	70	WPA East 25c
255	108	WPA East 25c	255	70	WPA East 25c
256	108	WPA East 25c	256	70	WPA East 25c
257	108	WPA East 25c	257	70	WPA East 25c
258	108	WPA East 25c	258	70	WPA East 25c
259	108	WPA East 25c	259	70	WPA East 25c
260	108	WPA East 25c	260	70	WPA East 25c
261	108	WPA East 25c	261	70	WPA East 25c
262	108	WPA East 25c	262	70	WPA East 25c
263	108	WPA East 25c	263	70	WPA East 25c
264	108	WPA East 25c	264	70	WPA East 25c
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266	108	WPA East 25c	266	70	WPA East 25c
267	108	WPA East 25c	267	70	WPA East 25c
268	108	WPA East 25c	268	70	WPA East 25c
269	108	WPA East 25c	269	70	WPA East 25c
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271	108	WPA East 25c	271	70	WPA East 25c
272	108	WPA East 25c	272	70	WPA East 25c
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274	108	WPA East 25c	274	70	WPA East 25c
275	108	WPA East 25c	275	70	WPA East 25c
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281	108	WPA East 25c	281	70	WPA East 25c
282	108	WPA East 25c	282	70	WPA East 25c
283	108	WPA East 25c	283	70	WPA East 25c
284	108	WPA East 25c	284	70	WPA East 25c
285	108	WPA East 25c	285	70	WPA East 25c
286	108	WPA East 25c	286	70	WPA East 25c
287	108	WPA East 25c	287	70	WPA East 25c
288	108	WPA East 25c	288	70	WPA East 25c
289	108	WPA East 25c	289	70	WPA East 25c
290	108	WPA East 25c	290	70	WPA East 25c
291	108	WPA East 25c	291	70	WPA East 25c
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293	108	WPA East 25c	293	70	WPA East 25c
294	108	WPA East 25c	294	70	WPA East 25c
295	108	WPA East 25c	295	70	WPA East 25c
296	108	WPA East 25c	296	70	WPA East 25c
297	108	WPA East 25c	297	70	WPA East 25c
298	108	WPA East 25c	298	70	WPA East 25c
299	108	WPA East 25c	299	70	WPA East 25c
300	108	WPA East 25c	300	70	WPA East 25c

[illegible]

THIRD MARKET					
Time	Symbol	Price	Size	Bid	Ask
15:00	1007				
15:01	1008				
15:02	1009				
15:03	1010				
15:04	1011				
15:05	1012				
15:06	1013				
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15:09	1016				
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15:11	1018				
15:12	1019				
15:13	1020				
15:14	1021				
15:15	1022				
15:16	1023				
15:17	1024				
15:18	1025				
15:19	1026				
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15:21	1028				
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16:00	1067				
16:01	1068				
16:02	1069				
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16:34	1101				
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16:42	1109				
16:43	1110				
16:44	1111				
16:45	1112				
16:46	1113				
16:47	1114				
16:48	1115				
16:49	1116				
16:50	1117				
16:51	1118				
16:52	1119				
16:53	1120				
16:54	1121				
16:55	1122				
16:56	1123				
16:57	1124				
16:58	1125				
16:59	1126				
17:00	1127				
17:01	1128				
17:02	1129				
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18:10	1197				
18:11	1198				
18:12	1199				
18:13	1200				
18:14	1201				
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19:54	1301				
19:55	1302				
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20:15	1322				

NOTES

Unless otherwise indicated, prices and net children's area discounts are in U.S. dollars. Estimated participation rates are based on latest annual reports and accounts and, where appropriate, on half-yearly figures. FYES are calculated on "base" figures, excluding the effect of the 1995-96 transition on the scheduled APTC where applicable; bracketed figures show the effect of the 1995-96 transition on the scheduled APTC where applicable. Figures in brackets are based on "maximum" distributions; this compares gross direct profit after taxation, excluding exceptional provisions for losses and other reserves, to total APTC. Figures in parentheses are gross, adjusted to APTC at 221 per ton and allow for sale discounts and rights.

- * Trap Stock
- * Hays and Loran sustained these have been adjusted to 1995-96 figures
- * Includes new investment or renewal
- * Includes new investment or renewal
- * Trap-free to non-endemic on application
- * Figures to report needed
- * Officially IUCN Red List category: threatened (endemic)

[illegible]

REGIONAL & IRISH STOCK

The following is a selection of Regional & Irish stocks, listed in Irish currency.

Almaly Iron Sigs	725	142	Feb. 1976 77000
Oranby Iron Sigs	725	142	

7					
6					
5					
4					
3					
2					
1					
0					
-1					
-2					
-3					
-4					
-5					
-6					
-7					
-8					
-9					
-10					
-11					
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	Bell Associates	38	TBS
8.6	Bell Telephone	39	Tenors
	Berkson Opus	32	Thorn EMI
2A	Cadbury's	32	Trust Houses
2.5	Chorley Group	37	Vanner News Ltd.
2.6	Com Uniden	34	Unilever
0.6	Continental	35	Widnes
2.6	FNFC	35	Widnesco
	Gair Accident	95	
	GEC	95	Pearcy
	Glass	280	Legal Securities
	Grand Met	96	MIPC
	GRUP W	95	Powdery
	Guthrie	95	Sils
	IGN	95	Sir Petroleum
	Haworth Td.	95	Broth
0.7	Header Sidel	95	Burness Oil
	ICI	125	Chemical
	J&R	95	Premier
	Laidlaw	46	Shell
	Legal & Co	95	Transoil
	Liz Serv	95	Ultramar
	Lloyds Bank	95	
	Lloyds Insurance	95	
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A selection of Options traded is given on
 London Stock Exchange Report Page _____

Response to positive economic signals brings largest rise in equities for five weeks

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Indices

NEW YORK-NEW JERSEY

	Sept 17	Sept 18	Sept 19	Sept 20	Sept 21	Sept 22	1986/87	Status Completion	
							High	Low	Low
Interstate	2,528.87	2,589.18	2,586.58	2,613.04	2,686.74	2,579.88	9222.42 (5/4/87)	1027.31 (5/1/87)	2722.45 (5/1/87)
Transport	1,028.81	1,054.78	1,032.48	1,036.72	1,032.83	1,021.88	9161.18 (5/1/87)	916.38 (5/1/87)	1161.18 (5/1/87)
Utilities	184.84	185.71	187.25	188.88	188.92	188.87	2247.93 (5/1/87)	181.28 (5/1/87)	227.83 (5/1/87)
Trading vol	—	185.74g	183.24g	154.28g	179.02g	178.78g	—	—	—

	Sept 21	August 25	August 21	Year Ago (Approx)
Ind. Div. Yield %	3.83	2.59	2.52	3.87

STANDARD AND POORS

	Sept 17	Sept 18	Sept 19	Sept 20	Sept 21	Sept 22	1987	Status Completion	
							High	Low	Low
Interstate	367.67	367.84	371.85	378.12	371.18	368.72	381.75 (5/1/87)	274.58 (5/1/87)	283.17 (5/1/87)
Corporate	314.77	314.88	317.74	323.81	312.13	313.88	336.77 (5/1/87)	248.45 (5/1/87)	238.77 (5/1/87)
				Sept 5	Sept 2	August 25	Year Ago (Approx)		
Ind. Div. Yield %				2.58	2.49	2.43	2.78		
Ind. P/E Ratio				22.84	23.53	24.18	22.98		
Long Term Bond Yield				8.81	8.25	—	7.58		

N.Y.S.E. ALL COMMON

	Sept 17	Sept 18	Sept 19	Sept 20	Sept 21	Sept 22	1987	Status
							High	Low
Interstate	176.37	176.84	177.89	180.84	187.88	181.81	181.81 (5/1/87)	141.81 (5/1/87)
Corporate	176.37	176.84	177.89	180.84	187.88	181.81	181.81 (5/1/87)	141.81 (5/1/87)
Trading vol	—	185.74g	183.24g	154.28g	179.02g	178.78g	—	—
				Sept 5	Sept 2	August 25	Year Ago (Approx)	
Ind. Div. Yield %				2.58	2.49	2.43	2.78	
Ind. P/E Ratio				22.84	23.53	24.18	22.98	
Long Term Bond Yield				8.81	8.25	—	7.58	

REGIONS AND PAIRS

	Sept 17	Sept 18	Sept 19	Sept 20	Sept 21	Sept 22
Interstate traded	1,877	1,888	1,871	1,873	1,874	1,875
Stock	1,888	1,888	1,888	1,888	1,888	1,888
Bills	1,871	1,871	1,871	1,871	1,871	1,871

	Sept 17	Sept 18	Sept 19	Sept 20	Sept 21	Sept 22	1987	Status
							High	Low
AUSTRALIA	2383.1	2224.5	2280.4	2284.0	2284.0	2284.0	2284.0 (5/1/87)	1481.3 (5/1/87)
ASX 200	2383.1	2224.5	2280.4	2284.0	2284.0	2284.0	2284.0 (5/1/87)	1481.3 (5/1/87)
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AMEX COMPOSITE CLOSING PRICES

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Continued on Page 45

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Sporadic buying fails to stall downward drift

WALL STREET

BUYING interest remained sporadic and nervous on Wall Street yesterday as initial strength gave way more than once to downward pressure and stock prices settled narrowly lower.

The Dow Jones industrial average finished 2.29 down at 2,527.90. In slower volume of 151.3m shares against 195.7m, the NYSE composite index was a bare 0.03 easier at 178.48 as declines led advances 819 to 683.

Fund managers in particular were said largely to be sitting out the oscillations until a trend could be established more clearly. Credit markets showed a modest improvement but there too demand was subdued.

A weight of corporate debt issues, totalling about \$3bn so far this week, has at the same time been unleashed by company treasurers apparently convinced that interest rates were heading higher.

The Detroit car makers meanwhile responded to the tentative wage deal, Ford, the pact at which will be the industry benchmark, gained 5% to \$106 after trading \$2 higher and Chrysler put up \$1 to \$43% as its strike in Canada drew to an end.

General Motors, however, was 5% weaker at \$74 - it is the least able to afford any elements of generosity in the settlement. The sector received additional cheer, though, from news that part of Honda's expanded US production will be channelled back to Japan.

Brookway, a glass and plastic container maker, surged \$1 1/4 to \$38 1/2 as a surprise \$80 a share bid emerged from Owens-Illinois, which had been previously taken private through Kohlberg Kravis, Kerr Glass Manufacturing benefited from thoughts of a sectoral rating, rising \$1 1/4 to \$14.

Associate companies of Brookway also showed strength. The 45 per cent-owned Curtis Wright advanced \$2 1/2 to \$67 1/2 and Teledyne, which owns 21 per cent of Teledyne, jumped \$1 1/4 to \$38 1/2. Litton Industries, in which Teledyne owns nearly 28 per cent, put on \$3 1/4 to \$101 1/4.

Also in this defence and aerospace group of stocks, Singer shed \$2 1/4 to \$53 as speculation dwindle of a takeover from candidates including Hercules, itself 5% easier at \$61 1/4.

Elsewhere G. Heileman, the Wisconsin brewer, advanced \$1 1/4 to \$41 1/4 after a rejection of Mr Alan Bond's \$38 per share takeover offer couched in terms which left the way open to a further approach. The state legislature was also moving meanwhile to tighten protection for companies incorporated there.

Coca-Cola added \$ 1/4 to \$47 1/4 after additional moves to re-organise Columbia Pictures. Tri-Star Pictures,

into which most of the entertainment side is being injected, held at \$13 1/2 after its recent run-up.

Mattel, the toy maker, lost 5% of its gain this week at \$14 1/2 following its denial of knowledge of factors that might move the share price, other than good demand for its latest product, called Certain Power. New World Entertainment, which had been named as a possible suitor, was up 5% to \$8 1/2.

Sara Lee added 5% to \$44 1/2 after the foods group said it was talking to Alko about buying the Dutch company's consumer side for \$600m and was selling its own Electrolux division. The prospective deals were judged favourably, and Moody's affirmed its debt ratings for Sara Lee, Pillsbury, also in consumer foods, picked up 5% to \$43 1/2 on its higher first-quarter results.

In over-the-counter trading Henley Group, an industrial products maker, gained \$1 to \$30 1/2 once the board authorised the purchase of up to 28m shares, around a fifth of its current equity.

Among the money centre banks nearly \$3m units of Citicorp changed hands after its 26m share issue, and the price dipped 5% to \$57 1/2. Of the others to have issued shares in the latest round of capital strengthening, Manufacturers Hanover at \$38 1/2 was down 5% and Bankers Trust firmed 5% to \$46.

Credit markets were buoyed by the provision of four and seven-day system repurchases from the Federal Reserve in its efforts to even out reserve positions. Fed funds as a result came down to 7 1/4 per cent from an opening 7 1/2.

Some short rates firmed, with the three-month Treasury bill three basis points higher and yielding 6.55 per cent, in part reflecting the pending Treasury note issues in its planned refunding. But at the long end, the 8 1/2 bond of 2017 added 1/4 in price to 92 1/2 where it yielded 8.60 per cent.

CANADA

FALLING blue chips depressed Toronto share prices despite generally stronger gold issues.

Among the falling heavyweights, Bell Canada drifted off 5% to C\$38 1/2 and Canadian Pacific fell 5% to C\$28 1/2. Energy issues were mixed, with Gulf Canada dropping 5% to C\$24 1/2 and Imperial Oil class A off by 5% to C\$18 1/2, but Texaco Canada 5% higher at C\$34.

Banks were also mixed. Royal Bank was up 5% to C\$33 1/2 and Toronto Dominion up 5% to C\$33 1/2 while Bank of Montreal slipped 5% to C\$32.

In generally firmer golds, however, Placer Dome climbed 5% to C\$28 1/2 and Hemlo Gold added 5% to C\$24 1/2. Lac Minerals was 5% stronger at C\$16.

Montreal fell slightly, while Vancouver edged higher.

Worries over tax send Indian markets tumbling

INDIA'S share markets have nose-dived in the past week in a sharp reaction to a Rs21bn (\$1.6bn) drought relief package unveiled by Finance Minister Narayan Dutt Tiwari on Tuesday.

Mr Tiwari aims to raise an extra Rs10bn from income tax, fuelling speculation that corporation tax may also be increased.

The Bombay stock exchange 30-share index has plunged 21 points so far this week to 463.62, to the surprise of analysts who

had expected a rally on Monday after the start of the new fortnightly trading period on Friday.

The Indian markets have been rudderless, making occasional feeble attempts at a rally, since late August when the All-India share index of the Economic Times, India's main business newspaper, touched a year's peak of 276.3. Share prices have fallen some six per cent in three weeks, but the ET index at 260 is still 10 per cent higher than a year ago.

Some investors, mainly government-owned investment institutions, have been optimistic that the country will tide over the worst drought in several decades, but there are as many bears on the market.

Unit Trust of India, in its report to India International Fund investors, says the diversion of resources from developmental programmes to relief work will affect demand for agricultural products and investment-oriented industries like cement and

steel. But UTI feels the scope for expanding demand in India is unlimited, provided prices are affordable.

The UTI has managed the London-listed India Fund skilfully to lift its net asset value by 25.5 per cent in rupee terms. The £1 (\$1.63) unit of the India Fund, which had been quoted below par over the past year, surged to an all-time high of 117p last week in London but has since fallen.

Investors appear to take a favourable medium to long-term view. Several new issues of equity have evoked an overwhelming response.

The public offer by Hogenas India, a subsidiary of a Swedish company, was subscribed 85 times, and that of Garden Silk Mills, a textile conglomerate, by 20 times.

Investments in UTI units passed Rs50m last month, indicating that investors are turning to unit trusts rather than buying straight into the secondary market because they feel the trusts are more secure.

Three more mutual funds for a combined Rs30m are to be launched before the end of the year and UTI fears there will soon be a shortage of scrip.

The bears in the market take a more short-term view, concerned that India faces economic problems such as inflation as well as possible political instability as a result of the recent corruption scandals.

R.C. Murthy

EUROPE

Blue chips unsettled by dollar uncertainty

THE FURTHER overnight fall on Wall Street stalled the larger European bourses as the dollar's vacillations weighed heavily.

Frankfurt fell again after an early rally failed to win institutional support. The effect of a slight rise in the dollar was countered by concern over the further steep overnight fall on Wall Street.

Blue chips continued to take a battering, with car stocks Daimler and BMW DM10 and DMB off at DM1.078 and DM1.71, respectively. VW, though, managed a DM2 rise to DM3.99.

Leading banks also tended to soften. Deutsche was DM2.50 off at DM694.50 and Commerzbank DM1 down at DM303.50.

Karstadt gave up recent form with a DM2.80 dip to DM379.20 and fellow retailer Herten lost another 50 pips to DM235. Asko, though, dived DM30 to DM905 as the market frowned on its 1-for-1 rights issue.

In electricals, Siemens shed another DM5 to DM856, but AEG made up DM3 to DM940. It reported a 5 per cent rise in sales over the first eight months of the year.

Most chemicals were little changed, although Henkel advanced DM8.50 to DM588.50 after saying on Wednesday that Colgate Palmolive is to buy a 50 per cent stake in its recently bought subsidiary Lesieur, Cologne.

Elsewhere, sportswear maker Puma rebounded DM25 to DM375. Zurich finished mixed as foreign investor sales in the light of weakness on Wall Street was offset by domestic buying.

Banks remained. Union Bank by SF50 to SF4.875, Credit Suisse by SF19 to SF4.390 and Bank Corporation by SF2 to SF4.98. Swiss R starred among mixed insurers with a SF750 gain to SF17.850.

LONDON

FURTHER positive economic signals spurred institutional investors in London yesterday to alter their investment decisions from neutral to bullish. The FTSE 100 index pierced the 2,300 level for the first time since August 5, closing up 24.7 at 2,304.5, and the FT index was 21.8 higher at 1,812.0.

Government bonds also responded strongly to the second-quarter current account deficit figures, with gains of up to 1 1/2 points. Details, Page 42.

Nestlé dipped SF30 to SF11,000 in foods. Engineers were mixed, retailers slightly higher.

Brussels closed down but off the day's lows following a late rally. The cash market index lost 22 to close at 5,120.34.

Holdings lost ground. Reserve dipping BF35 in heavy trade to BF3.705. Sofina and GBL were off BF250 and BF40, respectively, at BF14.830 and BF4.010.

Petrofina ran out of momentum and lost BF75 to BF13.075. Among mixed banks, Generale de Banque advanced to climb BF90 to BF3.350 and Banque Bruxelles Lambert BF25 to BF3.275.

Paris edged higher on largely domestic trade.

Legend bounded ahead, up FF115 to FF3.335 on the tail of a 35 per cent rise in first-half profits. Other electronics responded and Alcatel added FF70 to FF2.450 and Radiotechnique gained FF65 to FF1.730.

Yellouree also featured, with a FF6.40 jump to FF70.

Asterdam eased as dollar doubts were compounded by worries over Dutch economic growth.

SOUTH AFRICA

A LATE rally on the back of the firmer bullion price failed to save Johannesburg gold shares from closing lower in a soft market.

Kinross was among the lower golds, down R2 at R83, while Vaal Reefs gave up R2 to R46 and Freegold 25 cents to R54.25. Randfontein was steady at R430.

Mining financials followed the downward trend, Anglo losing 25

cents to R88.75 and Gencor falling 50 cents to R73. Diamond stock De Beers was 25 cents off at R52.25.

Platinums brightened, however, with a rise in the metal's price. Rustenburg and Letlorkhrysoos each 25 cents up at R57 and R20.25 respectively.

Sasol again featured among steady industrials with a 40 cent rise to R14.

ASIA

Steels remain sturdy amid broader decline

TOKYO

HEAVY TRADE in Nippon Steel and other steelmakers pushed the sector higher in Tokyo yesterday, but small-lot selling elsewhere led the market slightly lower, writes Shigeo Nishimaki of Jiji Press.

The Nikkei average fell 112.42 to 24,855.21. Turnover, however, expanded from Wednesday's 621.94m shares to 1.2bn, reflecting active trade in large-capitalisation issues. The 10 most active stocks accounted for 60 per cent of the day's total transactions. Losses led gains 574 to 352, with 134 issues unchanged.

The Tokyo Stock Exchange halted trading several times as investors poured in massive buy orders for large-capitals. A sharp 5 per cent increase in Japan's crude steel production in August gave a particular boost to big-capital steels.

Nippon Steel was busiest with 233.7m shares traded, adding ¥9 to ¥386, while Sumitomo Metal Industries jumped ¥21 to ¥287 on the second biggest trade of 135.72m. Nippon Kokan, Kawasaki Steel and Kobe Steel also made the active list, closing ¥4 up at ¥335, ¥7 higher at ¥284 and ¥4 up at ¥319, respectively.

Mitsubishi Heavy Industries was the third busiest issue with 108.7m shares traded, climbing ¥10 to ¥970.

Large-capital chemicals and textiles scored sharp gains, with Sumitomo Chemical jumping ¥23 to ¥727, Ishihara Sangyo ¥19 to ¥284 and Mitsui Toatsu Chemicals ¥25 to ¥753. Toray rose ¥12 to ¥900.

Elsewhere, Nishin Steel advanced ¥38 to ¥826 and Nissha Engi-

neering ¥42 to ¥380. Yamaha motor was ¥61 up at ¥1,060.

However, high-tech stocks and many other issues dipped. TOK lost ¥40 to ¥5,050 and Victor Co of Japan (JVC) ¥60 to ¥2,840. But Sony and Matsushita Electric Industrial finished unchanged at ¥5,070 and ¥2,579, respectively, while NEC gained ¥10 to ¥2,140.

Buying spread to heavy electricals but they failed to retain their morning strength. Toshiba, on trade of 57.00m shares, soared ¥13 at one point, but finished ¥3 lower than Wednesday at ¥741 under profit-taking. Mitsubishi Electric fell ¥3 to ¥580 and Hitachi ¥20 to ¥1,330.

The bond market moved little in the absence of fresh market signals and the approach of the end of the October-September business year for securities houses and other businesses.

The December contract of government bond futures turned up to ¥100.49, recovering par, helping to firm bond prices on the cash market. The yield on the 5.1 per cent government bond due in June 1999 declined from Wednesday's 5.65 per cent to 5.38 per cent, but finished at 5.42 per cent.

AUSTRALIA

THE BUOYANT post-budget mood in Sydney pushed share prices to another record with industrialists still leading the way, although gains were not as large as on Wednesday after a bout of morning profit-taking.

The All Ordinaries index ended 5.5 higher at 2,284.0 in heavy national turnover of 213m shares.

slightly down on the previous session. Among industrials which have reported higher profits, Australian National Industries jumped 22 cents to A\$2.92. Pacific Dunlop was up a further 30 cents to A\$5, and Lend Lease gained 40 cents to A\$19 after its A\$1.20 leap on Wednesday.

HONG KONG

RUMOURS of further rights issues continued to swirl around the Hong Kong market, pushing prices down sharply again in the wake of the Cheung Kong group's fund-raising exercises.

The Hang Seng index ended 33.28 lower at 2,571.36 in active trading with HKS\$2.35m, down from HKS\$3.46m on Wednesday, as foreign investors tended to leave the stage clear for local institutions.

Funds were still being switched out of the Cheung Kong group, with Cheung Kong itself off 10 cents at HKS\$12.50. Hutchison Whampoa down 20 cents at HKS\$13.70 and Cavendish 10 cents lower at HKS\$5.

SINGAPORE

BLUE CHIPS were again the worst hit another declining session in Singapore which left the Straits Times industrial index 18.80 lower at 1,414.60 amid expectations of imminent corporate fund-raising and flotations.

In slightly higher volume, Fraser and Neave lost 50 cents to S\$13.30, Singapore Press was 30 cents lower at S\$10.80 and Genting shed 20 cents to S\$7.10.

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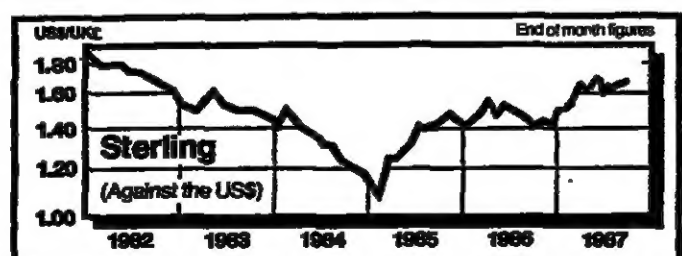
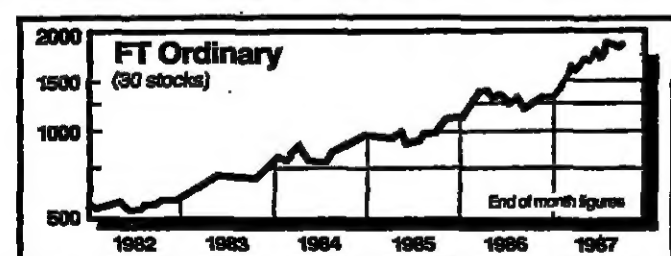
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KEY MARKET MONITORS



STOCK MARKET INDICES

	Sept 17	Prev Year ago
NEW YORK		
DJ Industrials	2,525.82	2,530.19
DJ Transport	1,020.81	1,024.78
DJ Utilities	194.84	195.71
S&P Comp.	314.77	319.21
LONDON FT		
Ord	1,812.0	1,790.2
SE 100	2,304.5	2,279.8
A-Share	1,176.85	1,165.19
A 500	1,289.18	1,276.77
Gold mines	442.7	447.2
A Long gilt	9.67	10.02
World Act. Ind.	134.18	134.87
(Sept 18)		

TOKYO		
Nikkei	24,855.21	24,867.73
Tokyo SE	2,051.22	2,061.71

AUSTRALIA		
All Ord.	2,284.0	2,274.5
Metals & Mins.	1,431.1	1,430.8

AUSTRIA		
Credit Aktien	219.48	218.33

BELGIUM SE		
SE	5,120.30	5,142.40

CANADA		
Toronto	3,218.5	3,216.5
Metals & Mins.	3,825.5	3,824.4
Composite	3,825.5	3,824.4
Montreal	1,329.62	1,336.27
Portfolio	1,329.62	1,336.27

DENMARK SE		
SE	n/a	203.49

FRANCE		
CAC Gen	425.80	426.00
Ind. Tendence	111.00	110.30

WEST GERMANY		
FAZ-Aktien	646.13	644.43
Commerzbank	1,986.40	1,983.30

HONG KONG		
Hang Seng	2,571.36	2,571.36

ITALY		
Borsa Com.	613.50	601.88

NETHERLANDS		
ANP CBS	n/a	n/a
Gen	n/a	n/a
Ind	n/a	n/a

NORWAY		
Oslø	573.84	563.45

SINGAPORE		
Straits Times	1,414.60	1,434.20

SOUTH AFRICA		
Gold	2,285.0	1,980.0
Industrials	2,285.0	1,980.0

SPAIN		
Madrid SE	321.26	319.61

SWEDEN		
J & P	3,094.80	3,129.20

SWITZERLAND		
Swiss Bank Ind	701.80	702.30

COMMODITIES (London)		
Silver (spot fixing)	496.55p	463.35p
Copper (cash)	£1,122.00	£1,082.50
Coffee (Sept)	£1,277.50	£1,272.50
Oil (Brent Blend)	£18.445	£18.60

GOLD (\$/oz)		
Sept 17		
Prev		
London	\$490.50	\$458.50